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DEVELOPMENT OF MALAWIAN TRADERS TRUST (DEMATT)
BUSINESS ADVISORY SERVICE FOR WOMEN PROJECT
(UNDP/UNIDO ASSISTED PROJECT)
DP/MLW/88/027

MANUAL ON NEW BUSINESS DEVELOPMENT

PROGRAMME FOR WOMEN ENTREPRENEURS

Volume II

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This manual has not been cleared with UNIDO which does not,
therefore, necessarily share the views presented.

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INTRODUCTION

This New Business Development Programme Manual has been prepared by the Business Advisory Services for Women Project (DP/MLW/88/027), a UNIDO/UNDP funded project based at the Development of Malawian Traders Trust (DEMATT).

This is meant to be a guideline for the BASW and other DEMATT staff in conducting a New Business Development Training Programme (NBD) for women entrepreneurs. The contents and methodology used in this manual had been tested and used by the BASW project.

In addition to the practical experiences and inputs provided by the BASW staff various reference materials were used in compiling this handbook. We wish to express our thanks to the authors and publishers.

This manual comes in two volumes. The first volume covers the following items:

- o NBD Promotional Seminar
- o Interview and Selection Process
- o Idea Refining Sessions

The second volume covers the NBD Training Proper which is divided into the following training modules:

- Module 1 Introduction and Objective Setting
- Module 2 Entrepreneurial Self-Assessment
- Module 3 Marketing Assessment and Market Research
- Module 4 Production Assessment
- Module 5 Management
- Module 6 Bookkeeping
- Module 7 Financial Assessment
- Module 8 Setting-up Your Business and Family Support
- Module 9 Business Plan Preparation

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DEVELOPMENT OF MALAWIAN TRADERS TRUST
BUSINESS ADVISORY SERVICES FOR WOMEN PROJECT

NEW BUSINESS DEVELOPMENT PROGRAMME

MODULE 1

INTRODUCTIONS AND OBJECTIVE SETTING

I. OPENING CEREMONIES

A. Facilitator's Guide

1. If a prominent person is to perform an official opening for the course, ensure to the extent possible that it is somebody who understands the problems and opportunities for women entrepreneurs, and who can provide an encouraging and inspiring start to the course.

If the official is somebody with any authority in government, banking or other important circles, try to ensure that she/he is briefed as to the likely problems faced by women entrepreneurs, and can make at least some positive statements about efforts that may be taken to overcome these problems, such as allowing women to borrow money in their own right, more equitable laws of inheritance and so on.

It is not necessary that the course should be officially opened, and it is important to avoid spending too much time on this, particularly if the official person is likely to be late or the official opening would demand too much time.

2. If time permits, it would also be good that the participants introduce themselves to the group and the guests invited.

3. When the official opening ceremony is over, discuss with the participants all administrative and logistical arrangements i.e. transport arrangements if being provided, meals and the like. It is important that the participants from the very beginning feel that these aspects of the programme are being taken cared of just as much as the academic learning.
4. Time: 1 hour

II. INTRODUCTION AND OBJECTIVE SETTING

A. Session 1. Self Introductions

Objective:

At the end of the session, the facilitator and participants would have introduced themselves to each other and created a congenial atmosphere for the training.

Time : 1 1/2 hours

Facilitator's Guide

1. Prepare the training material as described below.
2. Distribute each half. Facilitators should join this activity.
3. Ask each one to look for the person who has the other half of the card.
4. Once the matching card is found, a dyad is formed.
5. When the dyads are formed, instruct everyone to tell her partner everything she wants the other person to know about herself. The other person is **NOT** allowed to ask any questions. When she finishes, the other partner in turn tells about herself. She is **NOT** also allowed to ask questions. Allow some 10 - 15 minutes.

6. When this activity is over, everybody joins the group. Each one will then introduce her partner relaying the information gathered during the dyad sharing. This activity may last 30 - 45 minutes.

Processing

7.
 - a. After each one has introduced each other, process the activity just done.
 - b. Ask some participants what they felt when they were not allowed to ask questions. Jot them down on the board.
 - c. Then ask the participants what they think the purpose was in not allowing them to ask questions. Jot the answers on the chalk board or flip chart.
 - d. When you have solicited enough answers, explain the purpose:

"During the whole training period, we have to practice FOCUS LISTENING. This means paying detailed attention and putting importance to what each one has to say. We can also learn from our friends and not only from the facilitators."

Materials

Cut out cards into one shape of your choice i.e circle, star, heart, triangle, etc. The number of cards should be equal to the number of participants divided by 2. Cut each card into 2 using various rugged designs. Example.

2. Session II. Group Training Objective Setting

Objective:

At the end of the session, the participants would have reconciled their individual training objectives with the NBD Training Objective.

Time : 1 1/2 hours

Facilitator's Guide:

1. The facilitator will not join this activity.
2. Group the participants into 3 or 4 groups depending on how large the group is. The ideal number per group is 5 - 6.
3. Ask the participants to select a name for their group.
4. Each member of the group will tell her group members

"What I Expect to Get Out of
Of this Training Program"

5. When everyone has finished sharing her individual training objectives, the group would then discuss the similarities and differences of their objectives.
6. As a group, they should come out with a consensus on the group's training objective. They will have to capture this Group Objective in a drawing.
7. When they have finished their drawing, gather all the participants in the larger group.

8. Each of the groups have to present their drawings and explain.

9. **Processing**

- a. When all the groups have presented, present to them the overall NBD Training Programme Objectives. Match and clarify these objectives with the verbalized group objectives.

If there are training objectives which could not be covered by the course, say so. It is very important that at the end of the sessions, the participants fully understand the training objectives

- b. Present and explain to them the Training Content and timetable. You may also want to give them a hand-out which contains this information.

10. You may end the days activities. This is to give time to the participants for any logistical arrangements they have to make for themselves. Explain that the following day would be the start of the training sessions.

Materials

Flip charts, colored pens, masking tape, hand-out on the training content and schedule.

MODULE II

ENTPRENEURIAL SELF-ASSESSMENT

I. INTRODUCTION

This module is meant to enable the training participants to make a self-assessment whether they have the qualities which would make them a successful entrepreneur. Wanting and doing are two different things. Succeeding in what they want to do is another. Surely the women just do not want to start a business. They also want to **SUCCEED**. Knowing themselves is a key to succeed in business.

As a facilitator, you would help them in this process of "self-discovery" through the use of games and workshops as your training methodology. This will be reinforced with processing the activities and small lectures. Remember that "Learning by Doing" is one of the most effective ways of bringing across an idea to the participants.

MODULE OBJECTIVE

At the end of this module, the participants would have made an assessment of their own individual entrepreneurial capabilities and identified areas for improvement.

II. TRAINING SESSIONS

A. Session 1. Who Am I?

Objective:

At the end of this session, the participants would have made an assessment of their own personal strengths and weaknesses and identified ways of overcoming their weaknesses.

Time : 1 1/2 hours

Facilitator's Guide

1. Explain the importance of knowing oneself, strengths and weaknesses before starting a business.

"Wanting and doing are two different things. Succeeding in what you are doing is even another. Surely you don't just want to start a business. You also want to SUCCEED. Knowing oneself, is your key to success in business".

2. Refer to the notes for this brief explanation.
3. Ask the participants to take a look around and get an object which they think best symbolizes themselves as a person showing their strengths and weaknesses. It would be a good idea for the facilitators to join this activity.

As this would probably be the first time the participants were given the chance to take into retrospect a personal assessment of themselves, allow them enough time.

4. Everybody then comes back to the group to share their ideas, thoughts and feelings.

5. During the sharing sessions, take note of what the participants reveal about themselves.
 - o What individual strengths did they reveal? Would these strengths likely to help them to become successful entrepreneurs?
 - o What individual weaknesses did they reveal? Did they talk about possible family problems? Would this individual weakness affect business performance or their performance during the training?
 - o Did they say anything on how they can overcome their weaknesses?
 - o Remember, that what others may perceive as strength others could perceive it as a weakness.

Based on what they shared about themselves, you as a facilitator, would then be able to provide guidance and support to each individual participant by working on her perceived strengths and helping her attempt to overcome her weakness.

6. **Process**

- a. After each one has shared, process the activity. Remind the participants **Focus listening**.

During this processing activity, ask the participants what they felt during the sharing session. Ask them also any encouraging words they can give to each other based on what was shared by their co-participants.

The purpose in processing the activity is for the group including the facilitators to be able to identify the common strengths and weaknesses of the participants.

- b. Explain that recognizing ones potentials and limitations is the first key to succeeding as an entrepreneur. Sharing ones thoughts and feelings is important, so that the group would be able to provide mutual support in the achievement of each individual's goals during the whole training process.

SESSION 1 NOTES

1. Much of entrepreneurial success arises from a healthy feeling of self-worth borne by a realistic appraisal and awareness of one's own strengths and weaknesses.
2. Many businesses fail because many women fail to make an accurate assessment of their capabilities to carry their visions to the end.
3. Importance had been hinged on the preparation of business plans and taking out a loan. More often than not, the most important ingredient to make a business successful is overlooked - the **ENTREPRENEURIAL SPIRIT** in you.
4. Many successful entrepreneurs have succeeded by first recognizing their potentials and limitations. They worked hard to develop their potentials and tried to overcome their limitations.
5. At the end of this session, the participants would have answered and/or have started thinking about the following questions:
 - Are my characteristics likely to help me succeed as an entrepreneur? (Thoughts, abilities, actions)
 - Is entrepreneurship a course for me? Will I function best as a person if I were an entrepreneur?
 - Knowing my weaknesses, what should I do as an individual to overcome these weaknesses so that I may become a successful person?

B. Session 2 Individual Goal Setting

Introduction

Individual goals are the driving forces which inspire people to do certain things. Once these goals are achieved, then the need ceases to motivate one's actions. This session would help the participants examine their individual goals. Is it anchored on the need for self-actualization or self-fulfillment, or is it anchored on lower needs? Actions motivated by self-actualization tend to persist in time. This could serve as the inspiration of the woman entrepreneur to succeed and make her business grow. It takes a lifetime to satisfy and it is vital to one's self-respect as a woman.

Objective:

At the end of the session, the participants would have internalized the importance of their individual goals in the success of their business.

Time : 1 1/2 hours

Facilitator's Guide:

1. Introduce this session by stating that one's individual goal for going into business plays an important role in determining how much of ourselves we put into the business.
2. Give each participant Hand-out No. 1.

Ask them to check the motives which apply to themselves. They may include others which may not be listed.

After they have gone through the list, ask them to list their objectives according to importance 1 to 5. No. 1 is the most important and no. 5 is the least important.

3. After each of the participants have ranked their motives, present Flip Chart No. 1. Ask each one the ranking the gave for each of the motives. Tally all the answers.

4. Process the Activity
 - a. Review the answers given.
 - b. Are the motives good enough to keep a burning desire for the women to succeed in their business?
 - c. Explain the relationship of individual goals to the success of the business and their own individual selves as a WOMAN. Refer to session notes.

Materials

Flip Chart No. 1

NBD TRAINING PROGRAMME

MOTIVES IN GOING INTO BUSINESS

Instructions:

Check any of the motives which you think applies to you. You may include others which are not on the list. After doing this, list your motives according to importance. Number 1 is the most important and number 5 is the least important.

MONETARY

- _____ To earn a living
- _____ To get rich
- _____ respected
- _____ For additional income
- _____ community
- _____ For financial stability

SOCIAL

- _____ To gain prestige/status
- _____ To be recognized and
- _____ To be a model in my
- _____ To meet many people

SERVICE

- _____ To employ people
- _____ future
- _____ To upgrade the community
- _____ To help the community's
- _____ economy

FAMILY

- _____ For children/family's
- _____ To win husband's loyalty
- _____ To please father/mother

SELF-FULFILLMENT

- _____ To become boss/be independent
- _____ To achieve/fulfill something through business
- _____ To avoid employment
- _____ To be productive, use personal abilities
- _____ As challenge to own self-capabilities

RANKING

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

FLIP CHART NO. 1

MOTIVES FOR GOING INTO BUSINESS

MOTIVES/RANKING	1	2	3	4	5
o MONETARY					
o SOCIAL NEED					
o SERVICE NEED					
o FAMILY NEED					
o SELF/FULFILLMENT					

MOTIVES FOR GOING INTO BUSINESS

On motives, psychologists tell us that those which relates to an individual's need for self-actualization exert the most influence on behaviour because actions motivated by these needs tend to persist in time, they are also long-lasting.

This follows, because self actualization is a life long process. It is a need within a person to respect herself, to feel fully human and dignified in every respect. The need is the last of all human needs that gets satisfied because it is not vital for survival.

You have several other needs and wants that demand satisfaction and which underlie your behaviour. These needs differ in intensity in terms of their effects on behaviour. Once, satisfied, a need ceases to motivate your actions and other pressing needs attract your attention. This goes on up a hierarchy of needs depending on the satisfaction of the lower levels.

Maslow has arranged them as follows:

FLIP CHART NO. 2

SELF-
FULFILLMENT

SERVICE NEED

SOCIAL NEED

FAMILY NEED

FOOD, CLOTHING AND SHELTER NEED

Let us now examine our reasons for setting up a business. Are they anchored on your need for self-actualization? Or on lower needs?

It is worthwhile to know at this point that a business usually does not pay back immediately but only after years of good, first few months or years because you actually will have to give out more money and energy that you will initially receive in return.

Can you now see why your motives must be anchored on self-fulfillment? If it is not, you are most likely to get frustrated because of the length of time it takes for returns to come. Meanwhile, how will you and your family eat? What would your husband and or family say? Consider going into business very carefully. It may be too great a risk for you.

Actions motivated by the need for self-actualization tend to persist in time. Perseverance stems from the nature of the need. It takes a lifetime to satisfy and it is vital to one's self-respect as a woman.

In business, persistence and perseverance can be a most valuable asset in meeting the inevitable: the various trials and hurdles that await you. Temptations to quit will be plenty and inviting. Learn from the successful women entrepreneurs. They had the will to go on. They viewed their plans in terms of long-term goals so as not to lose perspective. Are you prepared to consider this? Are you prepared to take the challenge?

C. Session 3 Entrepreneurial Characteristics

In this session, you should be prepared to adjust your time schedules as this would vary depending on the progress of each activity. Remember that do not sacrifice LEARNING for the sake of time.

Objective:

At the end of this session, the participants would have identified characteristics of successful entrepreneurs and made an assessment of their own entrepreneurial characteristics.

Time : 3 - 5 hours

Facilitator's Guide

1. This session is divided into 3 activities:
 - a. Basket Game/Ring Toss Game
 - b. Look Beyond the Horizon Game
 - c. Entrepreneurial Self-Assessment Scale
2. After the two games give a lecture on characteristics of successful entrepreneurs. Refer to Session III notes for your lecturette.
3. After the lecturette, give the participants Hand-out No. 2 to make their own entrepreneurial self-assessment.
4. Refer to the Session Notes on how to conduct each activity.

SESSION 3 NOTES

A. THE BASKET GAME OR THE RING TOSS GAME

1. Preparation

- a. This game would require a separate room from the training room where all the participants are present. Call this room the "Game Room".
- b. Each of the participants will be called individually to go into the "Game Room".
- c. While the other participants are waiting for their turn to go into the "Game Room" ask them to write on a piece of paper:

"What qualities do I have which
will make me a successful
entrepreneur."

2. The Basket Game or Ring Toss Game

- a. Mark the floor with chalk into 10 markings.
- b. Be sure you have the following materials: 4 coins or balls, a basket or a suitable container and a prize.
- c. Give the following instructions:

"I want you to throw these four
coins (balls) into the basket
while standing on any of the
lines."

- d. Take note of their reactions. Item No. 3 spells out some specific things you have to observe.
- e. When all the participants have done the game, convene all the participants.

3. Observations to be made during the game

Specific behaviours of the participants during the game would exhibit some of their innate entrepreneurial characteristics which may not be apparent during discussions. Below are some behaviours which could give an indication on some entrepreneurial characteristics.

a. Information Seeking

- Are they asking questions?

b. Calculated Risk Taker

- Are they weighing their hand, distances or making efforts to reduce the distance?

c. Optimistic

- Take note of the position where they are standing and the position of their body

d. Persistence and Hard Working

- Having failed, have they insisted on trying the same position?

e. Networking

- To what extent they are involving the trainer to provide them with more tips.

f. Uses Feedback

- Are they reacting to failure or success?

g. Personally Responsible

- Do they show concern when they did not do well, and put extra effort to do better.

h. Self-confident and Self-reliant

- Do they look very uncertain/nervous about what they are trying to do

i. Persuasive

- Have they tried to persuade you to tell them more details in a clearer manner

j. Innovative

- Have they tried different positions or postures to achieve their goal?

k. Achievement Oriented

- How far have they stood from the container
- Relate this also with calculated risk taking

4. **Processing the Game**

- Mention to the participants that the Game is designed to display some entrepreneurial characteristics such as calculated risk taking, achievement orientation, self-confidence, information seeking, etc.
- Refer to your individual observations during the Game and how each of the behavior/reaction shown during the game displayed some of their entrepreneurial characteristics.
- After the observations, ask the participants to take a look at what they wrote about themselves and compare it with the behaviour/reactions they displayed during the game. Are they same or different? What areas of entrepreneurship qualities should they try to have?
- What did they learn from this exercise?

B. LOOK BEYOND THE HORIZON GAME

Introduction

This game is meant to show to the participants another quality of an entrepreneur. An entrepreneur is usually able to look deeper from what is apparent. What is a problem to others may be viewed by the entrepreneur as an opportunity. She is also creative. An entrepreneur can make products out of what one may consider waste.

Facilitator's Guide

1. Present Flip Chart No. 3 - a big square divided into 16 smaller squares.
2. Ask the participants to say how many squares they see. Answers may be one, sixteen, twenty or more. There are at least 30 squares. Write their answers on the board.
3. Processing the Activity
 - a. Ask the participants to suggest why some, probably the majority saw only sixteen squares and why others saw more.

Write their answers on the board.
 - b. Most of us are so used to see only the obvious, we limit ourselves. But entrepreneurs have to be creative, they have to be able to "LOOK BEYOND THE HORIZON" if they want to be successful. Ask the participants some examples they could be facing in their businesses which would require this attribute.

FLIP CHART NO. 3

C. SELF-ASSESSMENT TEST

Facilitator's Guide

1. Give each of the participants Hand-out No. 2. Ask them to rate themselves according to the following scale by writing the appropriate letter on the space provided before each statement:

SA - Strongly Agree
A - Agree
? - Not Sure
D - Disagree
SD - Strongly Disagree.

They should not skip any number. Answer all the items.

2. To assist the participants, it is best that you read each question aloud or assign one of the participants to read some questions. After each question is read, then the participants can write their answers. Allow enough time for them to answer.
3. Their score on the 96 statements are meant to indicate the level to which they exhibit twelve characteristics associated with successful entrepreneurship.
4. As scoring would be a bit too difficult for the participants to make, ask them to submit their answers. The facilitators shall then do the scoring and plotting their scores in a graph (Hand-Out No. 3).

You could give the participants a break at this point or proceed to the next session.

5. Discussion of Results

If you are unable to finish plotting the graphs by the end of the day, then you should discuss the results first thing the following day. Allow at least one hour to discuss the results.

6. After scoring and plotting the graph, explain the results to the participants. Scores plotted on the left hand side indicate their weaknesses, and those on the right hand side indicate their strengths.

Do they as a person have more strengths and weaknesses? What do the pictures look like? Are most of the scores located on the right side? Or are there several points on the left which tend to pull the points on the right? How do they feel about the picture.

The essence of taking the test is not to feel good or bad about the scores. The point is, they do not have to prove anything to anyone, but they owe it to themselves to make use of this information for their own self-improvement.

NAME _____

ENTREPRENEURIAL SELF-ASSESSMENT SCALE

The following statements reflect some thoughts and actions of potential as well as existing entrepreneurs. As you read each one, ask yourself, "How strongly do I feel and think this way?"

Rate yourself according to the following scale by writing the appropriate letter on the space provided before each statement:

- SA - Strongly Agree
- A - Agree
- ? - Not Sure
- D - Disagree
- SD - Strongly Disagree

Don't skip any number. ANSWER ALL ITEMS

- _____ 1. When a special problem arises at the end of a hard day's work, I still find myself with reserve supply of energy.
- _____ 2. Mistakes and failures overwhelm me so much I can't learn from them.
- _____ 3. I find it hard to beg, that is, to ask favours from other people.
- _____ 4. I want to earn only as much as to attain a comfortable way of life.
- _____ 5. The knowledge, experience and training I have on my proposed business is inadequate.
- _____ 6. While my product/service may not entirely be new, I am thinking of new and better ways to make it competitive.
- _____ 7. It is not necessary to be **scientific** and rational about management as long as one has the **will** to do what he wants done.

- ___ 8. I don't find difficulty in convincing other people to trust my ability to succeed.
- ___ 9. I don't choose to work with unlovable, unpopular people even if doing so is most useful for me to do achieve my goal.
- ___ 10. I need not waste time and money on "market re-search." If the product sells, I'll go on producing.
- ___ 11. I work just as hard as most people I know.
- ___ 12. I don't see the importance of reading the newspaper everyday.
- ___ 13. I don't fear investing my money on a venture whose dividends I have calculated.
- ___ 14. I believe problems and barriers can be turned into opportunities that can be exploited.
- ___ 15. The health and vigour I display is stimulating to others.
- ___ 16. I can't be away too long from my business because no one else but I can manage its activities.
- ___ 17. I don't get upset when given negative feedback about the way I perform.
- ___ 18. I have weaknesses and fears that are far from being resolved.
- ___ 19. When I do something, I see to it that it doesn't only get done but done excellently besides.
- ___ 20. I accomplish most when I am alone, under no direct supervision of anyone.
- ___ 21. I don't enjoy working a team as a leader. I'd rather be a member.
- ___ 22. I doubt my ability to cope under new, untested conditions.
- ___ 23. It is I, not luck nor fate, which influence the outcome of events in my life.

- ____ 24. I am frequently ill.
- ____ 25. I don't enjoy outcomes, no matter how favourable, if they don't stem from my own efforts.
- ____ 26. I wait for other people to originate ideas and action.
- ____ 27. I find nothing wrong in consulting expert advise regarding how I must manage my business.
- ____ 28. I will consider a risk worth taking if the probability for success is 30 - 40%.
- ____ 29. I consider a customer who complains against my product a **babblemouth** negativist.
- ____ 30. I will consider a risk worth taking only if the probability for success is 60 - 100%.
- ____ 31. Stress and tension lessen my efficiency.
- ____ 32. I am unprepared for the outcome of my actions.
- ____ 33. I can be directive as a leader but in a way that makes people willing to follow me.
- ____ 34. I don't allow failures to discourage me.
- ____ 35. I don't mind routine, unchallenging work if the pay is good.
- ____ 36. I am unwilling to work more than eight hours a day.
- ____ 37. I enjoy activities where I get information on how well or how bad I'm doing.
- ____ 38. I imagine how frustrated I would feel if my project should fail.
- ____ 39. I take pleasure in responding to challenges, so competition makes me work harder.
- ____ 40. I like change because I tend to be mobile and discontented.
- ____ 41. I will consider a risk worth taking if the probability for success is 40 - 60%

- _____ 42. I am unwilling to change my mind, once it is made up, even in the face of new developments.
- _____ 43. I usually feel weak and faint after a day's work.
- _____ 44. I believe success is a product of luck and fate rather than personal effort.
- _____ 45. I believe that sole proprietorship is the best form of ownership for a business to succeed.
- _____ 46. I avoid changing the way things are done.
- _____ 47. My abilities are above average.
- _____ 48. if my business fails I won't take it as a personal failure.
- _____ 49. I can turn my dream into a common dream with other people by talking about it in a way that excites them to help me make the dream come true.
- _____ 50. I find it difficult to win friends and influence people.
- _____ 51. While others see nothing unusual in the surrounds, I am able to perceive in it new opportunities for business.
- _____ 52. Considering my business competence, my plans would be difficult to attain.
- _____ 53. The business I'm thinking of is not really unusual.
- _____ 54. I have difficulties in obtaining loans from people.
- _____ 55. I can't wait and watch things happen; I prefer to make things happen.
- _____ 56. I don't give up easily, even in the face of difficulties.
- _____ 57. I am willing to take substantial risks for substantial returns.
- _____ 58. I hire people on the basis of friendship and other relations. (for their loyalty) rather than on the basis of competence.

- _____ 59. I am willing to accept both positive and negative consequences of my decisions and actions.
- _____ 60. The knowledge, experience and training I have on my proposed business is good enough.
- _____ 61. I don't think of negative consequences to acts and decisions that I make.
- _____ 62. I don't care if the profit is small so long as it is assured and constant.
- _____ 63. I lack vigour and vitality.
- _____ 64. I find no reason to consult other people about how to run my business better because I'm satisfied with the way I run it.
- _____ 65. My competence is better than that of the ordinary woman or man in my community.
- _____ 66. I find difficulty in asserting myself against the opinions of majority.
- _____ 67. Even if I am capable, hardworking and ambitious, if I don't have the money, I can't start a business.
- _____ 68. I don't get discouraged by an initial "No" form a buyer because I am usually able to convince him inevitably to buy my product.
- _____ 69. I am able to beat around difficulties through strokes of ingenuity and resourcefulness.
- _____ 70. When I fail in a goal, I immediately turn my attention to another goal.
- _____ 71. I cannot see the future as bright and promising.
- _____ 72. I don't allow myself to think of the future as dim and gloomy.
- _____ 73. I tend to overestimate my capacities for succeeding in any venture.
- _____ 74. As an entrepreneur, I need to practice basic managerial skills so that my business need not be a one-man show but a concerted effort of myself and those who work for me.

- _____ 75. The people around me now doubt my capacities to start and run a business successfully.
- _____ 76. Once I have started on a task, I usually carry it to its completion.
- _____ 77. I try to know more about the life stories of successful businessmen.
- _____ 78. I am willing to give up full control over my business in order to welcome new associates whose funds and expertise will be beneficial to the business.
- _____ 79. In business, I am more concerned with growth (being a success) rather than with profit.
- _____ 80. I find it difficult to come up with new, wild or even crazy ideas.
- _____ 81. I don't like the job for the good pay I get but for the satisfaction and sense of accomplishment I derive from it.
- _____ 82. I fear moving into a new undertaking I know nothing about.
- _____ 83. I am unable to work consistently on a goal when I meet some obstacles.
- _____ 84. I find myself working harder under stress.
- _____ 85. I am able to stimulate and direct others.
- _____ 86. I believe there are always new and better ways of doing things.
- _____ 87. I prepare for troubles before they arise.
- _____ 88. I make use of records, books and reports when setting goals for the business.
- _____ 89. It is not so easy for me to get people to do what I want them to do.
- _____ 90. I want to have good knowledge of my market before I start my business.

- _____ 91. I have never tried introducing new products to the market and I don't think I want to try.
- _____ 92. I have confidence in my ability to achieve.
- _____ 93. I don't mind working under conditions of uncertainty as long as there is a reasonable probability of gains from it for me.
- _____ 94. I see to it that I am an expert in the product I'm selling.
- _____ 95. I am healthy and fit for stressful work.
- _____ 96. I meet and solve problems as they arise.

SCORING GUIDE FOR THE FACILITATORS

The scores on the 96 statements above are meant to indicate the level to which the trainee exhibit or tend to exhibit twelve characteristics associated with successful entrepreneurship. The table presents a listing of these characteristics and provides some space for summarizing and scoring your answers to the statements.

To use the table, first, record the answers (SA, A, ?, D, SD) on the line immediately below the item indicated. Note that the items are arranged in rows and in two columns. Each row represents a characteristic and the two columns represent the way of scoring the answers. Items in column 1 are positively coded items, and those in column 2 are negatively coded.

Positively coded items (column 1) are scored as follows:

SA - 5
A - 4
? - 3
D - 2
SD - 1

Reverse scoring for all negatively coded items (column 2) as follows:

SA - 1
A - 2
? - 3
D - 4
SD - 5

Record the score on each item on the line below the answer.

Example:

Item	13	41
Rating	<u>A</u>	<u>D</u>
Score	<u>4</u>	<u>2</u>

The total score for each row indicates the level at which the trainee exhibit or tend to exhibit the characteristics.

Scores are classified as follows:

High	-	32 to 40
Medium	-	17 to 31
Low	-	3 to 16

To give a picture of the strong and weak points, plot the scores on the graph below by connecting the dots corresponding to the scores on each scale.

GRAPHICAL SCALE OF ENTREPRENEURIAL QUALITIES

NAME _____

QUALITIES

	Low	Medium	
High			
Risk taking	.	.	.
Hope of success and fear of failure	.	.	.
Persistence and hard work	.	.	.
Energy and mobility	.	.	.
Use of feedback	.	.	.
Personal responsibility	.	.	.
Self-confidence and self-reliance	.	.	.
Knowledgeability	.	.	.
Persuasive ability	.	.	.
Managerial ability	.	.	.
Innovativeness	.	.	.
Achievement-orientation	.	.	.
	Low	Medium	High

Scores plotted on the left hand side indicate your weaknesses, those on the right hand side, your strengths. Do you have more strengths than weaknesses?

What does your picture look like? Are most of the scores located on the right side? Or are there several points on the left which tend to pull the points on the right? How do you feel about the picture?

D. Session 4 Entrepreneurial Role Model

Objective

At the end of the session, the participants would have been able to:

- a. meet and objectively appraise a woman who has succeeded in business.
- b. identify entrepreneurial characteristics.

Time: 2 hours

Facilitator's Guide

1. This session is not intended to show participants what they ought to be, but to give them an opportunity to meet and objectively to appraise a woman who has succeeded in business, and in particular to compare these women with the entrepreneurial characteristics previously identified.

The businesswoman need not be dramatically successful although she should be at least as substantial a business person as the most successful of the participants. What is most important is that she should be articulate and willing to talk honestly and openly about her experiences, without idealising herself and saying what she thinks people think about her as opposed to describing what she actually did.

2. Discuss the session well in advance with the guest, and tell her that she will neither be expected nor wanted to give a polished presentation of any kind. All you want is for her to talk freely about certain incidents in her business career, so that the participants can learn from what she has done.

3. Before the session, make sure that every participant has a copy of the entrepreneurial check list (hand-out no. 4); explain that you will be asking the guest to describe certain experiences she has had, and participants will be expected to put a tick against the appropriate characteristic whenever they consider that the guest's description of her behaviour shows that she displayed that characteristic.
4. A more structured approach is to ask the guest to describe her business career from the beginning, going into particular detail when the situation was particularly difficult, and stopping at major decision points; at these points, ask participants to say what they would have done, and then ask the guest to comment on their suggestions, and to compare them with what she actually did.

This must not be allowed to distract the participants from their task of marking the guest for her display of the entrepreneurial characteristics.

5. About thirty minutes before the end of the session, draw the guest's stories to an end, and invite participants to ask questions, relating to what the guest has been saying, or to their own business problems and opportunities.
6. After the guest has left, "process" the session by asking participants to say how many times they have checked each characteristic, and to recall what particular event seemed to illustrate the characteristics.

If one or more of the characteristics appears not to have been exemplified, discuss possible reasons why this may be so; does this represent a weakness in the guest's entrepreneurship, has she displayed it in other ways, or is its absence compensated by other particularly strong characteristics?

Ask participants to compare their own behaviour in similar situations; would they have behaved differently or in the same way? Would the result have been more or less successful?

ENTREPRENEURIAL CHECK LIST

put a tick against the characteristic whenever you consider that the guest's description of her behaviour shows that she displayed that characteristic.

- She is persistent _____
- She grasps an opportunity _____
- She makes a problem into an opportunity _____
- She takes a moderate and informed risk _____
- She makes an effort to obtain information _____
- She tries to make something more efficient _____
- She strives to improve quality _____
- She persuades someone to do what she wants _____
- She uses networks to influence someone _____
- She tries her best to keep a promise _____
- She sets a goal for herself _____
- She plans ahead, and monitors the results _____
- She rebounds from a failure _____
- She invests for tomorrow rather than spending today _____
- She is un-concerned about what others think of her _____
- She is enthusiastic _____
- She is self-confident _____

LECTURE GUIDELINE FOR ENTREPRENEURSHIP MODULE

THE ENTREPRENEUR

WHAT MAKES A BUSINESS
IS THE ENTREPRENEUR.

NGOs, financing institutions and development agencies often have the tendency to give too much emphasis to the type of business a client wishes to undertake rather than assessing the potential entrepreneurial capability of that individual. The most vital part of every successful enterprise development program is identifying those individuals who have the motivation, skills, personality, and talents necessary for running a successful business.

The following are good indicators of the presence of an **entrepreneurial spirit** in an individual:

- o Calculated risk taker
- o Optimistic
- o Persistent and hardworking
- o Energetic and mobile
- o Uses feedback
- o Personally responsible
- o Self-confident and self-reliant
- o Knowledgeable
- o Persuasive
- o Possesses managerial abilities
- o Innovative
- o Achievement oriented.

1. Calculated risk taker

The entrepreneur likes challenging ventures and she likes to win. She feels happier and more pleased with herself when she succeeds in a task where others fail or fear to enter. Unlike the ordinary person she does not shun risks but almost seeks them, favoring a risk where there is about a 60% chance of winning.

2. Optimistic

Once an entrepreneur has set her mind on a goal, she imagines how she would feel if she succeeds or fails in attaining it. She expresses these feelings to herself and to others around her. Her emotional involvement to the goal is total. She becomes so pre-occupied with winning and plans her strategies and tactics well in advance. To avoid failure, possible obstacles and barriers to the goal are identified and she prepares herself to prevent or overcome them.

3. Persistent and Hardworking

The entrepreneur pursues her goal to the utmost of her abilities. Her involvement is total and she thrives under stress.

4. Energetic and Mobile

The entrepreneur is highly energetic and works beyond the normal capacity of most individuals. She also tends to be mobile; boring, routine jobs do not attract her; and she is never content with the mediocre or the ordinary.

5. Uses Feedback

The entrepreneur consistently wants to know how well she is doing. She does not seek feedback just for the pleasure she feels in being praised, but rather to know more about how she performs. Whether positive or negative, the feedback is a welcome to help her produce better and accomplish more. She always views events as learning opportunities, the past as aids in decision making. Because she is open to feedback, she is flexible. She does not stick rigidly to panning the business, she consults others to gain feedback about goals. She is objective.

6. Personally Responsible

The entrepreneur seeks to be the one responsible for a job well done. She leads and make things happen, originates ideas and actions takes the initiative and she actively gets things done. She believes she is personally responsible for the way her life turns out to be. Success to her is a product of personal effort, not luck or fate.

7. Self-confident and self-reliant

The entrepreneur has faith in her ability to win and she shows it. She is willing to plunge into the unknown. She seems to overestimate her capacities. A successful entrepreneur often does have a history of failure. Perhaps because other people tend to view her as too risky, she is forced to pursue her activities alone. With or without the help of others, she gets things done. Money, friends, contacts -- all of these merely augment and support what she herself has to offer: hard-work, ambition, and competence.

8. Knowledgeable

Although many a successful entrepreneur have not reached higher education, she is knowledgeable. She is usually an expert in her trade or in the product she produces. She also recognizes the value of current events: what is going on, where, and why. Furthermore, she usually reads widely educating herself continuously about things and events.

9. Persuasiveness

The entrepreneur is highly successful in enthusing, influencing, and motivating other people.

10. Possesses Managerial Abilities

The entrepreneur is a leader. While in control she is able to delegate some functions to the staff so that she has more time for creative activities such as finding ways to improve the product, looking for new markets and expanding the business. She is more rational than emotional in managing the business. She recognizes her own

limitations and is willing to take in more people to help her run the business if it has grown beyond her capability to manage. In times of pressure she decides and acts on the basis of what will work best for the business. She is decisive, firm, strict and fair, all to achieve her purpose.

11. Innovative

The entrepreneur is creative and believes that there are always new and better ways of doing things. She is imaginative about the products she sells and she dares to be different in the ways she makes and sells products.

.2. Achievement Oriented

The entrepreneur is interested not only in the end result but also in the process of attaining it. She is concerned with excellent performance, setting high standards for herself. Once she has committed herself to a goal, she pursues it with a flourish. She does it for the satisfaction gained from performing an excellent job. Often, she has been described as working mainly for the sake of excellence rather than for rewards that attend excellent completion of a task. In business therefore, she actually does not work for the profit (she uses it as a feedback mechanism to gauge how well she is doing) but for the growth potential of the firm.

MODULE III

MARKETING ASSESSMENT

AND MARKET RESEARCH

I. MODULE OBJECTIVE

At the end of the training module, the participants would be able to determine the market for their products and prepare a marketing plan for their proposed business.

II. TRAINING SESSIONS

A. Session 1 Introduction to Marketing

Objective:

At the end of the training, the participants should be able to explain the importance of effective marketing to the existence of their businesses.

Time: 5 hours

Facilitator's Guide

1. This session should start with the participants playing the Marketing Game. Refer to Annex 1.
2. After the game is concluded, ask the participants to come up with a definition of Effective Marketing. Lead them to think about the 4 important aspects they learned about Marketing. Get volunteers to say what they think about the meaning of "Effective Marketing".

Get as many ideas as possible and from as many individuals as possible. Try to combine these ideas to come up with the meaning for "Effective Marketing".

3. Introduce the participants to the four dimensions of a business:

- o PRODUCTION
- o MARKETING
- o FINANCE
- o MANAGEMENT

Discuss how the activities of the marketing dimension can affect the existence of the other dimensions and the whole business. Discuss with the participants how the management dimension can affect the marketing dimension.

Discuss with the participants how the environment in developing countries makes marketing crucial for the small businesses. Ask the participants how the following factors can affect the marketing of their products:

- limited purchasing power
- whether a commodity is a luxury essential
- public preference for foreign goods
- products of a similar nature are being produced by a well established local company
- changing social needs

4. After the discussion, conclude by emphasizing that "Aggressive Marketing" to a small business is inevitable.
5. Refer to the session notes on Introduction to Marketing.

INTRODUCTION TO MARKETING

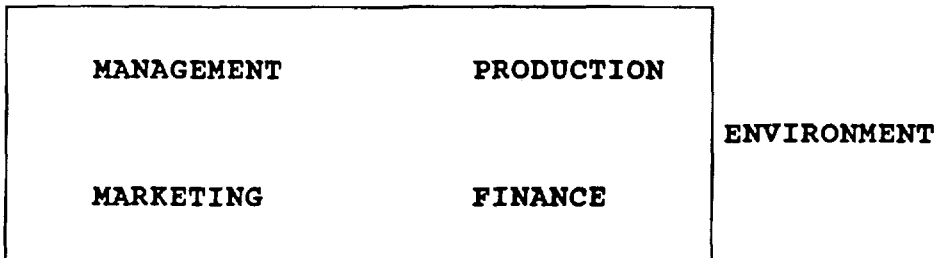
A. Definition

Marketing can have various definitions depending on the context in which it is being discussed. Marketing for the small business should encompass the following ideas:

MARKETING is getting people to want your goods, selling them, delivering them to the buyers and getting paid for them.

B. The Central Position of Marketing

To any type of business, it should be understood that Marketing is central to the existence of the business. A business is made up of 4 main segments: management, production, marketing and finance.



A business as a body is placed in an environment. It should be recognized that for the business to continue existing as a body, it has to be accepted by its environment. The business environment in this case contains individuals like the customer, Government, supplier competitors etc.

The business is pumping into this environment products and in turn, the environment is pumping money into the business. Apart from other things which are exchanged between business and environment the backbone to the existence of the business is the above transaction. If the environment rejects the product, there will be no money coming into the business and that will be the end of the business.

Whether the product is accepted or rejected by the environment, it depends on what the marketing segment of the business has done in its dealings with the environment. It should then follow that production and finance segments will not do well if marketing segment has not done its job properly.

In order for the marketing segment to do its job properly is the responsibility of management segment. If the management segment is faulty, marketing segment cannot do a good job.

The role of the marketing segment becomes crucial with a less favourable environment. There are more challenges to marketing for the small business in developing countries like Malawi because of the following factors.

1. Most developing countries have limited purchasing power. Competition grows as a bigger range of consumer sets priorities of expenditures and makes purchases from among a wide selection of goods.
2. Certain societies have a strong preference for foreign made products. You have to set out to prove that the quality of your products is, at least, comparable with that of similar imported ones if not better.
3. In some countries larger companies have established a monopoly in providing certain products as services. You need to take every possible measure to make your products known and accepted.

4. Dynamic changes and emerging social needs. It is these changes and new needs that offer opportunities to a business woman who should be able to take advantage of rising income. Remember that you cannot apply the same selling techniques that used to work say, ten years ago. What used to sell like hot cakes then may accumulate dust in the store shelves now. Therefore, you have to constantly update yourself with the latest marketing strategies if you want to keep scoring and stay a winner.

B. Session 2 Marketing Concepts

Objective:

At the end of the session, the participants should be able to explain the marketing concepts.

Time: 1 hour

Facilitator's Guide

1. Ask the participants what they think marketing involves. You might come up with a list of activities, and try to put them in the order they are supposed to come.

Together with the participants develop a list of persons who are involved in a business transaction and it is likely to include the following; Businesswoman, employees, suppliers and customers. Describe what each does in a business transaction.

2. Go through an exercise of determining who is an important person in that group who will determine what else the rest of the people should be doing in that group.

Similarly look at the list of activities which you developed and determine which is the most important activity.

3. In conclusion emphasize the importance of the customer to the existence of the business, the importance of knowing what the customer wants and the need to identify what this customer wants.
4. Refer to lecture notes on marketing concept.

MARKETING CONCEPT

The marketing concept rests on the importance of customers to a BUSINESS and states that:

- o all business policies and activities should be aimed at satisfying customer needs.
- o Profitable sales volume is a better business goal than maximum sales volume.

Survival in the business world means being able to attract and hold on to customers by satisfying their needs better than your competitors do. To operate more competitively and successfully, therefore you must view the marketing function this way:

1. **Marketing is Customer-Oriented.**

As owner/manager, you may be the top person in your organization. But in business everywhere the **CUSTOMER is KING or QUEEN.**

Your success, therefore, as a small business-woman depends largely on how well you satisfy your customers' needs. In effect, you, are not only selling a product or service but more importantly, satisfying a need.

<p>You must focus your attention on what your customers' needs, NOT on what product you can make and sell.</p>
--

2. Marketing is an Integrated Activity.

Any activity or decision is influenced by other factors within the enterprise and from its environment. The general condition of the national economy such as infrastructure, tax policies, technology breakthroughs, social patterns, industry and competitors practices still influence the demand situation of any product. All these forces may either reinforce or weaken your position in the market.

Since you are often caught in the mid-stream in the process of environmental changes, you should be alert and always on the lookout for opportunities to expand or for clues to slow down and consequently change strategies to avoid bankruptcy.

If marketing is customer-oriented and conducted in an integrated manner, there is a better chance to attain the profit and growth objectives of the firm. The integrated approach to marketing management focuses all efforts on identifying and anticipating customer needs and satisfying these needs with products and services.

With this foundation, you can proceed with the task of integrating and coordinating the following marketing activities:

1. Identify and measure customer needs for a specific product for services
2. Translate these perceived needs into product or service development
3. Develop and implement a plan to make the products or service available
4. Inform prospective customers about the availability of the product or service
5. Stimulate demand for the product or service at a price that will yield a reasonable profit.

C. Session 3 The Customer

Objective:

At the end of the session, the participants should be able to explain the importance of knowing their customers' behaviour.

Time: 1 1/2 hours

Facilitator's Guide

1. Get the participants to think of themselves as customers to the Textile/Garment Industry. Ask them to recall silently what type of clothes they normally wear. Give each participant 8 pieces of paper with the following individual questions which they should answer.
 - a. What is your preference, skirt and blouse, dress, or traditional wear?
 - b. What material do you normally buy nylon, cotton, polyester, etc.
 - c. Do you buy more of the local fabric compared to the imported one?
 - d. Do you buy more ready made clothes compared to buying a piece of cloth and getting it made?
 - e. What length of clothes do you normally wear, long, medium, short?
 - f. Do you have a limit on how much you are prepared to spend on one complete set of clothes e.g. dress, skirt and blouse, or suit? How much?
 - g. What other qualities do you look for when you are buying clothes?
 - h. When you are buying clothes for yourself, what influences you to buy? Who decides to buy? Who buys?

2. Collect all the papers together, and sort them out by questions and in terms of how many said what. Given the general picture, ask the participants what sort of products in the textile industry they would be making to sell to the target group like the one they have in the class.

3. Conclude by emphasizing the need to know and understand their customer so that all products are targeted at satisfying the needs of the customer . Review together with the participants the 4 important questions which have to be answered in relation to their market/customer.
 - What does the market buy?
 - Why does the market buy?
 - Who buys?
 - How is buying done?

4. Refer to session notes on The Customer.

THE CUSTOMER

The first step in organizing and planning marketing activities is to know and understand the market. Market here refers to all persons or institutions who buy or may be induced to buy a product or service.

As a rule, in marketing, you must study the general features of the consumer market to understand your target market. Understanding potential customers means knowing the answers to the following questions:

- o What does the market buy?
- o Why does the market buy?
- o Who buys?
- o How is buying done?

A. What does the market buy?

In your specific area of business, the product can have several variations. For example in the Poultry Industry, poultry products can be offered in the form of: live chickens, slaughtered chickens, raw eggs, boiled eggs etc. You need to know specifically what the poultry customers buy.

Customer concerns can also affect their choice of product. For example, hygiene concerns can affect the demand for ready prepared foods. Other concerns can include: durability of the product, cost of the product, quality of the product, packaging of the product, style of the product etc. In all these areas, you need to know the preference of your customers.

B. Why does the market buy?

To market effectively, you need to understand what buyers look for in buying the product and services. The reasons could vary from satisfying basic needs to prestige, in which case you should focus your product on meeting those needs and your promotion on how well your products and services can satisfy those needs. Other buyers may also want to get the most out of their money.

This would indicate that the lower the price of the product, the higher its sales. If you are selling to another business or company the reasons for buying would be related to more profits, less costs, more productivity or more efficiency.

C. Who buys?

A major marketing task is to identify who makes the decision in the purchase of the product. For some products and services, there is only one decision maker. For others, more than one person is involved in the buying decision. A person can play one or more of the following roles in the buying process:

1. As **influencer**, a person suggests that the purchase be made and influences the purchasing decision.
2. As **decider**, he/she ultimately determines whether to buy, what, where, when and how.
3. As **buyer**, he/she makes the actual purchase.
4. As **user**, he/she consumes or uses the product or service.
5. As **informer**, he/she controls the flow of information to the decision making group.

To illustrate: In purchasing children's books, the librarian may be the informer; the teacher or the child himself/herself could be the influencer; the parent, the decider; the older brother or sister, the purchaser; and the child, the user.

Knowing the characteristics of these persons involved, you should direct your marketing efforts towards the decider and influencer. For business and other institutions, the influencer could be the purchasing committee; the decider, the manager; both the informer and the user, the requisitioning department; and the buyer, the purchasing agent.

D. How is Buying Done

The buying process may be simple (as in buying cigarettes) or complex (as in buying a house) but will usually involve these major stages:

1. **Perception of a need.** The customer's need for a certain product or service (or the satisfaction the product or service gives) is aroused.

Promotional efforts help arouse or intensify the customer's needs. Or the product may be pushed when the need for it is greatest, e.g. ice cream during summer, school supplies at school opening time, raincoats or umbrellas during the rainy season, etc.

2. **Pre-purchase activity.** The customer gathers more information before deciding to buy by asking friends, reading the papers, actually seeing and inspecting the product or comparing prices.

The pre-purchase activity must suggest promotional efforts to dwell on the merits of the products, uniform and competitive pricing, more experienced sales persons or the use of influential persons to encourage or endorse the purchase of the product.

3. **Purchase decision;** This is actually a set of decisions affecting brand, size, colour, quantity, place to buy, etc.

4. **Use of the product.** Knowing who uses the product and how, when, where the product is used can have marketing implications. If, for instance, customers have difficulties in using a product, this may indicate a need for printed instructions to go with the product. Or a jar of food may be used later as a drinking glass, in which case the jar is designed as a drinking glass.

5. **After-sale feeling.** After buying and using the product, the customer may, at one extreme, feel very satisfied or, at the other extreme, feel very disappointed. The reasons for these feelings, negative ones, in particular, should be looked into. If the product is spoiled or defective, there might be a problem in quality control procedures or in the handling and transport of the product.

In order to understand the customers behaviour, you need to do some market research. You can begin to do this by talking to your own customers and suppliers. They can furnish you valuable information which you can interpret as leads or guidelines in mapping out your marketing plans.

D. Session 4 The Product

Objective:

At the end of the session, the participants should be able to explain the importance of product design and product pricing.

Time: 2 hours

Facilitator's Guide

1. Ask the participants how a business should decide what product they should be producing? Help the participants to link this to the customer (understanding your market).
2. Ask the participants what they understand by product design and how often this activity should be done. Together with participants, come up with an appropriate definition. Get them to understand the importance of product design.
3. Introduce the participants to the product life cycle. Give examples to illustrate various stages.

The declining stage (last stage) is not a desirable outcome. Discuss with the participants ways and means of avoiding that.

4. Introduce the participants to the concept of pricing. Ask the participants why proper pricing is very important. Get ideas from the group as to what is the basis for the price.

How are some of the marketing objectives affected by the pricing of their products? Discuss with the group the 3 basic ways of pricing.

In conclusion, remind the participants that the goal of the business is to make profit and remain in business.

5. Refer to session notes on The Product.

THE PRODUCT

The product is the commodity or service which you decide to offer to your customers.

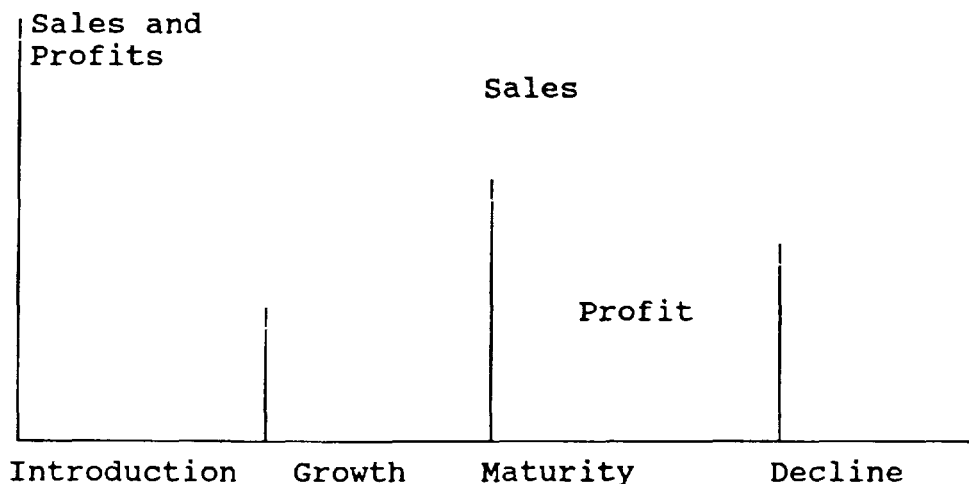
A. Product Design

Once you have decided on specific details of what your customers want, you need to design your product to that specific detail. It should be noted that customer preferences, tastes, etc. change with time. Similarly product design is a continuous process.

B. Product Life Cycle

A product's sales and profitability can be expected to change over in time. All products go through four stages in their lives. Knowing the stages when the change will occur can help formulate better marketing plans. These stages are illustrated in flip chart no. 4 and described below.

FLIP CHART NO. 4 PRODUCT LIFE CYCLE



It should be noted that not all products follow exactly the pattern as illustrated in Exhibit 3. Many products fail or decline right after the introductory stage. The sales of some products may increase after the decline stage with more marketing efforts. Some products like basic commodities stay in the growth or maturity stage indefinitely.

1. **Introduction** is a period of slow growth as the product is introduced in the market. At this stage profit is minimal.
2. **Growth** is a period of rapid market acceptance and substantial profit improvement. Demand starts to accelerate as the size of the market rapidly expands during this "take off" stage. Completion will enter and the entrepreneur must start convincing the consumer to prefer her brand to other brands.
3. **Maturity** is a period of slowdown in sales growth because the product has achieved acceptance by most of the potential buyers. Here, the originator of the product must accept the fact that the market has been saturated and must commence introducing finer differentiations in the product and customer services in addition to offering them the best price level.
4. **Decline** is the period when sales continue a strong downward drift and profits erode rapidly.

C. **Product Pricing**

The price of your product is one of your most important marketing decisions and careful consideration has to be given to the various factors.

Before setting the price, the firm should first determine which of the following objectives it will pursue in pushing a particular product:

1. **Market-penetration objective.** Some companies set a relatively low price in order to stimulate the growth of the market and to capture a large share of it.

Any of several conditions might favour setting low price:

- a. When the market appears to be highly price-sensitive;
 - b. When the unit costs of production and distribution fall with cumulated output; or
 - c. When a low price is intended to discourage actual and potential competition.
2. **Market-skimming objective.** Some firms want to take advantage of the existence of buyers who are ready to pay a much higher price than others because the product has high present value to them. The objective of skimming pricing is to gain a premium price from these early buyers and which will be reduced gradually to draw in the more price-oriented, elastic segments of the market. It is a form of price discrimination over time rather than over space.
 3. **Early-cash-recovery objective.** Some firms seek to set a price that will lead to a rapid recovery of cash. They may either be hard-pressed for funds or regard the future as too uncertain to justify patient market cultivation.
 4. **Satisfying objective.** Some companies describe their pricing objective as the achievement of a satisfactory rate of return. The implication is that although another price might produce an even larger return over the long run, the firm is satisfied with a return that is conventional for a given level of investment and risk.

5. **Product-line promotion objective.** Some firms seek to set a price that will enhance the sales of the entire line rather than yield a profit on the product by itself. An example is loss-leader pricing, in which a popular product is priced low to attract a large number of buyers who are expected to buy the other products of the vendor.

WAYS OF PRICING PRODUCT

Broadly , there are there methods of pricing products:

- o Cost-oriented pricing
- o Demand-oriented pricing
- o Competition-oriented pricing

1. **Cost-oriented pricing.** Most firms set their prices largely on the basis of their costs. All costs are normally included with a usually arbitrary allocation of overhead expenses made on the basis of expected operating levels. Cost-oriented pricing is commonly used in retail trade (groceries, furniture, clothing) and in jobs or orders that are non-routine and difficult to cost in advance such as construction work and special machinery.
2. **Demand-oriented pricing.** Demand-oriented pricing is based primarily on the intensity of demand. A high price is charged when or where demand is strong, and a low price is charged when or where demand is weak even though unit costs may be the same in both cases.
3. **Competition-oriented pricing.** A firm' pricing is competition-oriented when its prices are determined mainly by what other competitors are charging. The prices need not be the same. The firm may keep its prices higher or lower than the competitor's within a limited percentage.

E. Session 5 Competition

Objective:

At the end of the session, the participants should be able to explain the concept of competition in relation to their business and explain how they would go about assessing competition.

Time: 1 1/2 hours

Facilitator's Guide:

1. Ask the participants who they think a competitor is. Take an example of a bakery business and ask the participants who the competitors will be to this bakery business which is making bread.
2. Introduce the participants to the 3 levels of competition. Look at the list of competitors to the bakery business and try and group them into those 3 levels. Ask them to give more real examples for competition at level 3.
3. Ask the participants why and whether it is important to know what these competitors are doing.
4. Divide the participants into smaller groups.

Let them come up with a list of things they would like to find out about a competitor; and how they would go about finding out the required information. Allow some 30 minutes for the group discussions. Ask a representative to present the results of the group's discussion.

5. Discuss results of the presentation. Conclude by emphasizing that fact finding (Competition Assessment) should help them come up with a marketing plan which puts them in an advantageous position.
6. Refer to session notes on Competition.

COMPETITION

A competitor is a person offering a product/products or services to customers, you are targeting, to serve the same need or want. In other words, a competitor is a person diverting the purchasing power of your customers to his/her products.

To every product or service you are offering, competition should be seen from 3 different levels.

1. Similar products

Competition can come from people offering similar products to yours. If you are producing bread in your area and someone else is producing bread she/he is a competitor.

2. Substitute products

Competition can also come from people offering substitute products to yours. If you are selling chickens, butchers will also be your competitors. People will normally take chicken or meat to serve the same purpose.

3. Different products

Products which are completely different from yours do provide competition in a sense that you are both fighting to get a portion of the purchasing power in the area. This stems from the fact that, individual customers have a scale of preference of their needs. They have put their needs and wants into a certain order. If the need for your product is rated lower than other products you are unlikely to sell your product. If you are a tailor, and people in your area value things like food, shoes, etc. more than clothes you are unlikely to sell because every customer has a limited income and cannot spend beyond that.

It is very important for every business to know the weaknesses and strengths of their competitors, in terms of the following:

- a. the type of their product
- b. quality of their product
- c. price of their product
- d. source of their raw materials
- e. location of their business
- f. selling methods

It should be known that it is not easy to have access to information regarding the competitors, although it is very important to get to know such information. Here are some of the ways which can be used to collect such information:

- o Buying some of their products and comparing them with yours
- o Talk to their customers and find out what they like about their supplier
- o Be a customer to your competitor and observe how she serves her customer.

In all these cases, it is a must to every business person to assess what the customer wants (customer behaviour). Secondly, there is need to assess what the competitor is offering in terms of product, price, other services etc. Find out what it is that attracts the customers to this competitor. Your aim then should be to establish yourself in an advantageous position compared to your competitor, if it means snatching customers from these Competitors. Work on creating the need for your product higher in the scale of preference of your customers.

F. Session 6 Business Location

Objective:

At the end of the session, the participants should be able to explain the factors which should be considered when choosing a business location.

Time: 1 1/2 hours

Facilitator's Guide

1. Start the session by asking the participants what they understand by Business location.
2. Ask the participants how a business location can affect their marketing. Discuss the importance of visibility and accessibility of the business to marketing. Get them to give some examples of businesses which have poor visibility and/or accessibility. Get them to suggest how this can be improved. Ensure that the participants understand this concept.
3. Divide the participants into 2 or 3 groups and ask each group to select one type of business they would like to set up in their area. As part of the process of choosing a location for the business, ask them:

1. to list out things they would like to find out
 2. why they would like to find out such information
 3. how they would go about finding out such information

4. After 30 minutes, each group will be asked to present their discussions. During the group presentations, develop a list of the factors which must be considered when choosing a location and how such factors can affect the performance of the business.
5. Refer to session notes on Business Location for your discussion after group presentation.

BUSINESS LOCATION

Business location in relation to marketing becomes a very important factor to consider. Business location will serve as a promotional tool in the following ways.

a. Visibility of the location

One of the ways through which potential customers get to know about the existence of the product is through visibility of the location of the manufacturing or sale unit. However, the visibility of the location is not enough. The business site has to portray a business scene and show the nature of business. If it is a bakery business, there have to be signs showing that you are making bread, etc. In addition a business site has to be clean enough to attract customers.

b. Accessibility of the location

A business location has to be accessible to both your customers and suppliers. From the customers point of view, a business location has to be accessible to customers driving, riding and walking.

If the business is selling heavy or bulky products, it is advisable that the business location should be closer to where its customers are. If a business is selling perishable goods, its is also advisable to be closer to where customers are.

From the suppliers' point of view the business location has to be accessible to suppliers driving, riding and walking. If the business is using heavy or bulky materials, its normally advisable to be closer to the source of materials.

Apart from being a promotional tool, there are other factors which have to be considered, before choosing a location for your business.

1. Land

- Is it customary land/private land/freehold land/leasehold or public land
- Is she constructing a building
- Is there space for expansion.

2. Population

- Consider the number of people in area (can check at the DCs or ADD)
- Do the people have purchasing power
- Consider customer needs/wants

3. Government regulations

- Consider licenses
- Government regulations

4. Infrastructure

- Consider roads, is the transport system easy
- Is there electricity, is there a post office

5. Sources of raw materials

- Consider nearness
- Consider quantity and quality.
- Availability

6. Competition

- Check on their weaknesses
- Check on prices

If these factors are in your favour you have found a good business location.

G. Session 7 Distribution

Objective:

At the end of the session, the participants should be able to explain the important factors to consider before deciding on a specific distribution channel to use for their proposed business.

Time: 1 1/2 hours

Facilitator's Guide

1. Ask the participants what they understand by distribution. Discuss and arrive at an appropriate definition.
2. Ask the group some of the ways used in distributing goods to the customers.
3. Introduce the two basic ways of distributing goods: Directly to the Customers and through intermediaries.
4. Ask the participants to form smaller groups to discuss the advantages and disadvantages of using either method and circumstances favouring the use of either method. Allow some 30 minutes for group discussions.
5. Ask group representatives to make a presentation to the group and discuss.

After the group presentations, introduce to the participants, how the choice of distribution channels are influenced by the product and customer characteristics.

6. Conclude by emphasizing the need to carefully consider the cost of using either method.
7. Refer to session notes on Distribution.

DISTRIBUTION

Distribution is defined as a means of getting goods from the production unit to the customer.

There are two basic ways through which goods can be distributed to the customer.

a. Directly to the customers

This is where the producer sells directly to the customer. This method is normally used by the smaller businesses. They have an advantage in a sense that they get first hand information from the customers as regards the product. This can mean the customer coming to the producer to buy or the producer taking the goods to the customer to sell.

b. Through intermediaries

Most businesses do not sell their goods directly to the final users. Between them and the final users are various marketing intermediaries - the middlemen or traders. Middlemen play a very important role in marketing especially in small industry because, with their resources, contacts and experience, they can distribute goods more efficiently and economically than if the producers were to distribute their own goods. The problem may be is to convince one or a few of the available middlemen to handle the products.

The choice of channels, among other factors, is influenced by the following characteristics:

- o Product Characteristics
- o Customer Characteristics

Product Characteristics

1. Perishable products require more direct marketing to reduce spoilage.
2. Bulky products, such as construction materials and furniture, usually require channels that minimize shipping distance and number of handling.
3. Unstandardized products which require technical competency are usually sold directly by the company because of the difficulty of finding middlemen with the required technical knowledge.
4. Products that require installation and/or maintenance services are usually sold and maintained directly by the firm or authorized dealers.

Customer Characteristics

1. When the number of customers is large, manufacturers tend to use long channels with many middlemen on each level. The opposite is likely to happen when the number of customers is small.
2. The high cost of serving small and frequent orders leads producers of such products as hardware and soap items to rely chiefly on wholesalers.
3. Some customers may be more readily induced to buy products that are well displayed as in trade fairs and supermarkets.

Do not forget that the establishment of effective channels of distribution is an essential step towards creating a market. It requires you to actively seek out suitable retailers to sell your products. You may select and develop wholesale facilities to provide the necessary services or use your own staff to influence and develop wholesale and retail outlets in the interest to your business and your products.

The choice of the distribution channel should be carefully considered in terms of cost as well as convenience.

H. Session 8 Promotion

Objective:

At the end of the session, the participants should be able to explain the implications of using the various methods of promotions in relation to their proposed business.

Time: 120 minutes

Facilitator's Guide

1. This session will start with a group activity - role playing.
2. Before starting this session, select 5 volunteers from the group to act as sellers and the rest of the group to act as buyers.
3. Give each of the buyers some MK 150 capital money to buy from the wholesaler (the facilitator). You must have various goods which the sellers can buy and eventually sell.
4. After the sellers have bought their stocks from you, they will then have to display their goods in the market and decide what price to sell as well as use any promotional tool they can think of. Allow some 30 minutes for this activity.
5. Give each of the buyers some ten chips or notes representing a total of MK 100.

The buyers would then go in the market and buy whatever product they want from the sellers.

Allow some 15 - 25 minutes for this marketing activity.

6. Process the activity.
 - a. Ask who among the sellers sold the most in terms cash sales and units of goods sold. Ask who also made the most profit.

- b. Why did one seller sell more than the rest? What did she do to lure more customers to buy from her? What kind of products did she sell? How did she price them? What promotional techniques did she use?
 - c. Why did one seller have more profits? Is she the same person who sold more units?
 - d. The buyers are also asked about what they did and what happened.
 - e. The following questions should then be highlighted.
 - How do buyers behave in the market?
 - Which seller influenced the market most? Why?
 - What other factors influenced the market?
 - How did each supplier determine their own market?
 - What promotional tools did each of the sellers use?
 - How much did it cost?
6. End this session by giving a small lecture on Promotion. Refer to the session notes.

PROMOTION

Promotion is an attempt to stimulate sales by directing persuasive communications to the buyers.

Aside from developing a good product, pricing it right and making it easily available to customers, you must also promote your product. You may promote your products through:

- a. **advertisements** in printed materials, billboards, radio and television;
- b. **personal selling**;
- c. **free publicity** in the media and other business and social occasions; and
- d. **sales promotion** via discounts, give-aways, displays, and exhibitions.

There is a greater need for promotional activities where:

- Products are alike and manufacturers want to differentiate their products.
- Buyers awareness of the product or its features is minimal.
- Products are sold on a self-service or mail-order basis.

Personal Selling

Personal selling has been proven to be the most effective means of promoting products because immediate feedback is obtained. However, it is also the most expensive. To favour personal selling against the other approaches depends very much on the nature of the product and the circumstances in which it is marketed.

Personal selling is particularly suited to situations where:

1. The market is concentrated as in capital goods.
2. The product has a high unit value and needs to be demonstrated.
3. The product has to be tailored to individual needs as in certain types of clothing and gadgets.
4. The personality of the salesman contributes to building up a necessary atmosphere of trust.
5. The firm cannot afford to advertise.
6. Products are trade in and trade-in values have to be determined.

Advertising

Advertising is the process of communicating with the public through the mass media. Media are the means of communication. Selection of the best media is a very important part of an advertising programme. When faced with the problem of choosing medium or media, you have to consider

1. which media are available;
2. which media will reach the target market; and
3. whether the cost of the media justifies the expected revenue.

Other Promotional Methods

1. Price reductions

Price reductions can take the form of discounts, prizes, or special offers during certain periods. These activities have helped to boost sales. To what extent this can be used as a means of promoting sales depends on the cost to the business. The benefit should always be more than the cost.

2. Packaging

The traditional function of packaging is to protect goods while in stock or in transit. Nowadays, the consumer is the primary consideration in terms of convenience. Products come out in various sizes, options and packages that are easy to open, handle or carry. Another modern concept of packaging, especially of consumer goods is the promotional function. This entails several elements of the package design namely; size, shape, material, colour, text and brand name.

3. Displays and demonstrations

Sales can be promoted through displays like shop displays and trade fairs. This promotional method is more informative. The aim is to get more people aware of the existence of the product. Such displays are normally effective where there is a gathering of your target group. It would not make much sense to display various wines at a school gathering.

Demonstrations are also another method of promoting sales. In demonstration, the seller undertakes to show the target group how to use the product. As it is with displays, demonstrations are normally effective when they are done where there is a gathering of your target group. Demonstrations have persuaded some customers to switch from using another product to another.

4. Post sale service

Marketing does not end with the sale nor even after the delivery and payment of the goods have taken place. Many businesswomen succeed in their promotional strategy by emphasizing the quality of their products and assuring the consumer that the good(s) he purchased will remain functioning or serviceable in the case of durable goods.

As regards perishable goods, you should guarantee the freshness or replacement of the product. In fact, you should keep tab of complaints to know exactly how you can improve either the quality of your product or your marketing services as a whole.

Post sales service becomes even more critical when:

- a. The unit price of the product is high.
- b. The product is purchased infrequently.
- c. The product is complex as seen by the consumer.
- d. The buyer does not have much knowledge of the product.
- e. The seller's share of the market is small or the product is not well known.

You should also take into account the specific laws and regulations as well as standards affecting particular products notably restrictions on food and drug manufacture.

I. Session 9 Guide to Market Research

Objective:

At the end of the session, the participants should be able to identify key information they have to gather in preparing their marketing plan.

Time: 1 1/2 hours

Facilitator's Guide

1. Explain the purpose of Market Research.
2. Give to each one of the participants the market guide and letters of intent to buy.
3. Explain the purpose of going through the market guide with the group and clarify points which are not clear. Emphasize to the participants that it is not a questionnaire but a guide.
4. Explain to the participants how the letters of intent are to be used.
5. Explain to the any logistical arrangements concerning the field period and when they are supposed to report back.

NAME _____

PROPOSED BUSINESS _____

MARKET RESEARCH GUIDE

Your market research assignment is to complete all of the attached forms and return them to the Women Program Consultant or Women Program Adviser immediately upon completion.

1. First you will physically map out where you are going to locate your business.
2. Second, based on the product or service you will produce, determine which people in the market are your potential customers.
3. You will then look at where your prospective customers are now buying their goods and services. Analyze your competitors.
4. Next you will attempt to see how big the market is for your product or service in terms of the amount of Kwacha spent on this product.
5. Lastly estimate how much of your product or service you will sell in the first twelve months of your business once it has started.

GUIDE QUESTIONS TO YOUR MARKET RESEARCH

A. LOCATION

1. Where should your business be located? Consider: vil-
lage, town trading centre: _____

2. What are the advantages and disadvantages of this place:

Advantages:

Disadvantages:

3. Is it near or far from your competitors? Why?

4. What complementary business is close to this location?

5. Is the area growing, stagnant or decaying? (please
elaborate)

6. How accessible is the location to your prospective
customers?

7. Are you going to rent or use own premises? (if you will rent, include rent charge).

8. Is there sufficient space for expansion? _____ How much?

9. What utilities/facilities are available at this place? Consider: Electricity, water, hospitals, schools, police, banks, post office, bus terminal, rail stations etc:

10. Is this the best location for your products? Explain briefly why)

B. PRODUCT

1. What are you going to be producing in your business?

2. Does it require licence? (if yes, find out about terms of legal requirements, fees, etc.)

3. Is this product already on the local market? (If yes, what are its strength and weaknesses?)

Can you describe your product or service? What are the major strengths of your products/service that will make you competitive in your business market?

CUSTOMERS

Who are going to be your customers? Why did you choose them? (Consider age, taste, class, religion, etc.)

Where are the customers located? Consider geographical distance from your proposed business location)

What is the market size of your target market? (consider population of the target group)

Why do you think the customers will buy your products? (Consider taste, strength, quality, shelf life, price)

5. To familiarize yourself with the business community in your area, you are to take an inventory of all the existing businesses in your market area. These could be your potential customers.

i) Business dealing with farming

- o ADMARC
- o Estate type of crop
- o smallholder farmers
- o Other _____

ii) Trading Stores in market area

- o Butchery
- o Bookstore
- o Groceries
- o Hardware
- o Shoe-dealer
- o Record-store
- o Textile/clothing
- o Wholesalers

iii) Service Business in Market in Area

- o Bicycle repair
- o Bar
- o Chibuku
- o Dry-cleaners
- o Filling Stations
- o Maize mills
- o Garage
- o Hotel
- o Photo studio
- o Radio repair
- o Resthouse
- o Shoe repair
- o Tea shop
- o Restaurant
- o Watch repair

iv) No of small scale Producers

- o Bakery
- o Blacksmith
- o Building contractor
- o Carpenter

- o Metal sheets
- o Tailoring shop
- o Tinsmith
- o Coffin Making
- o Stone Quarrying

After completing the above inventory do the following:-

1. Go back over the entire list of businesses in your community and circle those businesses that might buy your products. Then make arrangements to interview those circled business owners who might buy your products or services.
2. Record your interviews on a piece of paper.

List below those businesses which might buy from you and how much you expect them to buy. Get letters of intent to buy from them and attach to this form. (Write on another paper if space is not adequate)

<u>Name and Address</u>	<u>Quantity</u>
a. _____ _____	_____
b. _____ _____	_____
c. _____ _____	_____
d. _____ _____	_____
e. _____ _____	_____
f. _____ _____	_____
g. _____ _____	_____
h. _____ _____	_____

7. What price do you think they will pay for your product?

8. Do you expect to sell your products all year round or only in specific seasons/months of the year?

C. COMPETITORS

1. Who are your competitors? (List them)

- a) _____
- b) _____
- c) _____
- d) _____

2. Have any of the competitors gone out of business or moved out of market (why)?

3. Given the total target market of your product, what do you think is your competitor total volume of sales per month?

4. How much profit do you estimate they are making? Consider their prices.

What can you say about the quality of their products?
Consider : taste, appearance and strength.

How do they advertise their products? Consider: radio,
newspaper etc.

What products do your competitors produce which you will
not?

What are the on-going selling terms and conditions of
your competitors?

DISTRIBUTION

How will your product or service reach your customers?
Consider method and channel of distribution e.g. through
wholesalers, retailers, middlemen, direct selling, etc.

What expenses do you foresee in the distribution of your
product? Consider transportation, sales commissions,
salaries of salespersons, etc.

3. How will your customers know about your product? What promotional techniques will you use? How much do you expect to spend using these promotional techniques?

E. SELLING

1. Who will be selling the product/service?

2. What selling terms and conditions are you going to adapt? (e.g sell only on cash basis or cash on delivery, sell on credit, installment or lay away, consignment, wholesale, retail)

Why did you adapt the above terms and conditions?

3. How will you handle customer complaints and goods returned?

F. PRICING

1. At what price will you sell your product or service?

What is the basis for selling at this price?

Compare your prices with those of your competitors

<u>Product</u>	<u>Your Price</u>	<u>Competitor's Price</u>	<u>Difference</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

What kind of facilities, equipments will you require in selling your product? What are the purposes of these facilities and equipments? How much will they cost?

SALES FORECASTING

How many units and how much of your product/service do you expect to sell in the first twelve months of your operation once your business has started?

<u>Month</u>	<u>Number of Units</u>	<u>Total Amount</u>
One	_____	_____
Two	_____	_____
Three	_____	_____
Four	_____	_____
Five	_____	_____
Six	_____	_____
Seven	_____	_____
Eight	_____	_____
Nine	_____	_____
Ten	_____	_____
Eleven	_____	_____
Twelve	_____	_____

Total Sales for First Year _____
=====

2. Does your sales forecast present a continuing demand the whole year round? If your product will be sold at a given time of the year, what do you intend to do during the slack period of sales?

H. SUMMARY OF PROJECTED MARKETING EXPENSES

1. What other monthly expenses do you envision to spend in your marketing activities?

<u>Expenses</u>	<u>Monthly Expenses</u>	<u>Total Expenses</u> <u>First Year</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
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<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
Total Projected Marketing Expenses		<hr/> <hr/> <hr/>

DEVELOPMENT OF MALAWIAN TRADERS TRUST (DEMATT)

BUSINESS ADVISORY SERVICES FOR WOMEN

NEW BUSINESS DEVELOPMENT

Letter of Intent to Purchase

This letter is not an agreement but an indication of the availability of a market.

kalatayi sim'gwirizano ayi koma ndi chisonyezo choonela kuchuluka kwake kwa msika wa bizinesi yomwe ndifuna kuyambitsa.

To be signed by prospective buyer:

I _____, of _____
designation _____, will be able to buy
from _____ the items and
quantities listed below: (weekly/monthly/yearly)

Item	Quantity	Unit Price
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____

Signed: _____

Date: _____

MODULE IV

PRODUCTION ASSESSMENT

I. MODULE OBJECTIVE

At the end of this module, the participants would be able to prepare the Production Plan of their proposed business.

II. TRAINING SESSIONS

A. Session 1. Introduction to Production

Objective:

At the end of this session, the participants would have been able to explain the basic components of a Production System.

Time : 1 1/2 hours

Facilitator's Guide

1. To introduce the concept of the production system, give an example familiar to women e.g. cooking **NSIMA**.
 - a. To identify production inputs:
 - They have to have **MONEY** first
 - Then they have to buy the **Raw materials** which is maize flour
 - Then who would do the cooking? This is the **Labour** or **Manpower** required
 - What **Tools, Equipment** or **Machinery** would be required to cook the maize flour?

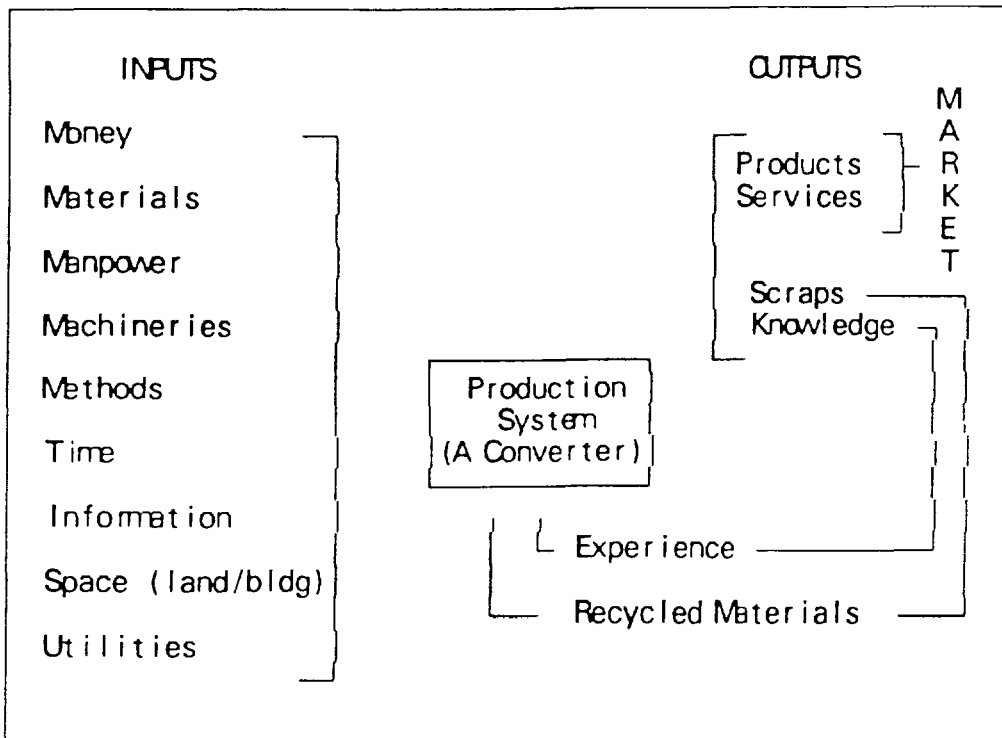
- How do you cook the maize flour? **Method of Production.**
- When do you cook it? How long? **Time**
- Where will you cook it? (**Space, Bldg, Land**)
- Do you use charcoal or electricity to cook? (**Utilities**)

b. All the above items when put together is the production system. Your **Output** is then **Nsima** which is now the **Product**, and you serve this to your family which could represent your market.

2. Present the Production System. (Flip Chart No. 5). To help them visualize your previous example, repeat the example just given.

FLIP CHART NO. 5

THE PRODUCTION SYSTEM



3. It can be observed from the chart that you as a small entrepreneur must continually provide the much-needed resource inputs to sustain continuous and profitable operations.

Some inputs of the firm may be considered as "one time" or fixed (e.g. land, building, machinery and equipment) on which you usually make investment only once and often at the beginning of your business operation.

Other input requirements, like raw materials, manpower, methods, time, utilities, etc. are continuing and would therefore demand more time from you. You should also be concerned with the interactions of the various inputs with one another as they move in to the "conversion process".

4. Take note that some of your outputs could be **Scraps and Knowledge**.

Scraps may be recycled and transformed into another product which you can sell. Example would be cuttings in a Tailoring Shop. This could be rejected by joining them together to make pillow cases or bed covers.

Knowledge acquired during the production process of creating goods and services can be fed back to the production system to support the technical/production process build-up. Example: If an entrepreneur's production process produces doughnuts which are very hard, this gives her an indication that there could be something wrong with her production process. She would then have to do some research to improve her production methodology.

Material Flip chart of the Production System.

Session 2. Production Alternative

Objective:

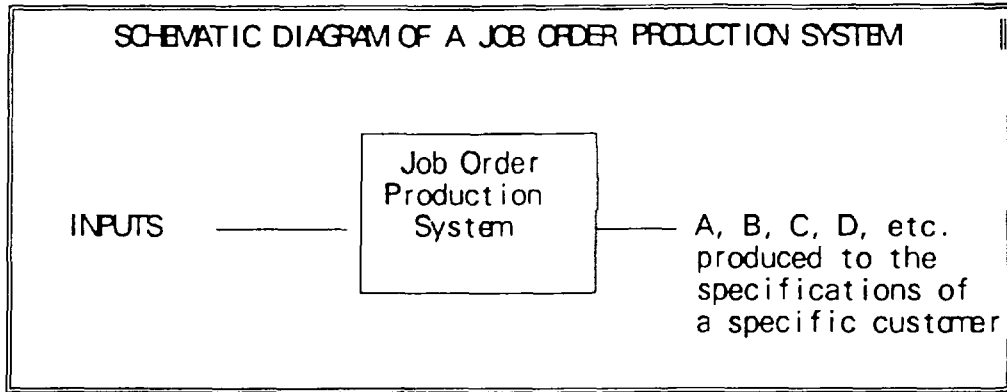
At the end of the session the participants would be able to identify what production system they will use in their proposed business.

Time : 1 hour

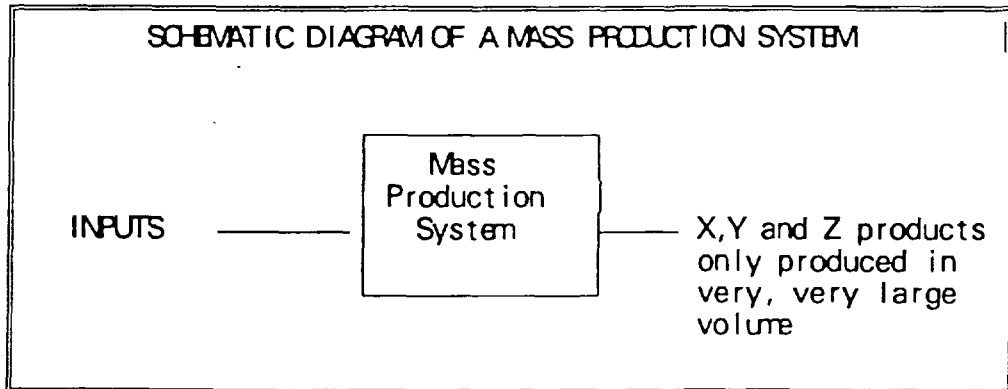
Facilitator's Guide

1. At this time the participants should know what kind of product they will produce.
2. This session would give them an indication on the alternative production systems.
3. To introduce the topic, ask the participants where they bought their dresses?
 - Some would say, I bought it from a shop
 - Others would say I made it myself
 - Some would say, I bought the material and had a tailor sew it for me.
4. Take the first and last as examples.
 - o The clothes bought from the shop were produced using the **Mass Production System**.
 - o The clothes sewn especially for the lady was produced using the job order production system.
5. Present to them the flip chart on the schematic diagram of a job order production system. Flip chart No. 6. Explain referring to the examples given.
6. Then present the schematic diagram of a Mass Production System flip chart no. 7. Explain referring also to the example given.

FLIP CHART NO. 6



FLIP CHART NO. 7



7. The facilitator should then explain the importance in deciding what production system to use.

To do this elicit from the participants things they should consider for each production system which a new entrepreneur should consider. Wrap up by pointing out things that were not considered during the discussion. Refer to Session Notes.

8. After the discussion, ask each participant to tell the group what type of Production System she would use in her proposed business. Encourage the other participants to comment.

JOB ORDER SYSTEM	MASS PRODUCTION SYSTEM
<ol style="list-style-type: none"> 1. Requires lower capital and production inputs e.g. custommade dresses the entrepreneur does not have to buy large amount of materials; she would only need a machine, a tailor and some tools. 2. Technology to be used is simple compared to using mass production system e.g. knowledge on pattern making, cutting, sewing according to the specification of the customer. 3. The market may be quite limited. 	<ol style="list-style-type: none"> 1. Require a larger amount of capital and more production inputs e.g. ready to wear clothes like dresses, shirts, trousers: the entrepreneur would have to buy raw materials in large quantities to produce the above items. She also needs to buy more sewing machines, accessories and hire more tailors. 2. Technology would not only involve the basics of tailoring. The entrepreneur has to know how to lay the pattern so that she gets the most out of the material or she should be able to save on raw materials. She should also be able to plan her production schedule so that she will be able to meet the market demand. 3. Market is quite large. 4. Need more management inputs.

C. Session 3. Plant Location Assessment

Objective:

At the end of the session, the participants would have reviewed their decision on where to locate their businesses.

Time : 90 minutes

Facilitator's Guide

1. As an introduction, the facilitator could ask some of the participants where they plan to locate their business. Ask them further their reasons for choosing the particular site.
2. Then explain the importance of making a strategic decision on the location of the business.

Site selection is a long-term commitment which may involve a large amount of money. No location can permanently guarantee success; but definitely some locations can **Inhibit** success. Thus in deciding business locations, always try determine the desirable and undesirable aspects of the selected location. As a rule, major criteria for an ideal location is:

"One where the costs involved in producing and marketing are at the minimum and where prices and volume of sales will generate maximum profits."

3. Present to them Flip Chart No. 8. Explain that the 13 items in the circle are the various factors they should consider in deciding their business location.

4. After presenting the chart, divide the participants into groups and assign one or two of the items in the circle to each group. Ask them to discuss the importance of the items assigned in deciding a business location. Give 15 to 30 minutes for discussion. After the group discussion, they will present their answers to the whole group.

5. When each group has presented, wrap up by summarizing the discussions and providing additional inputs which were not covered. Refer to the Session Notes.

SESSION 3 NOTES

PLANT LOCATION AND DECISION FACTORS

The following factors tend to affect the unit cost of manufacturing and distributing the outputs of a firm.

- a. **Proximity to sources of raw materials.** The acquisition of bulky raw material inputs can be very expensive if the plant is located very far from their source.
- b. **Proximity to Market.** Similarly, the distribution costs of the finished products will be affected by the plant's proximity to its most important market sites.
- c. **Transportation facilities.** The cost of transporting, as well as the availability, reliability and frequency of transport services in and out of the chosen site is an important consideration.
- d. **Labour.** Labour costs, which vary from place to place within the country, is certainly an essential factor. You must take into account training costs, recruitment costs (in the critical skills, most labourers would require advance payments), attitudes toward work, quality of workmanship and the like.
- e. **Power, fuel and utilities.** The cost of these usually vary within country. In addition to cost, you should also be concerned with the reliability, quality and frequency of the available supply of power, fuel and other utilities.
- f. **Waste disposal.** Although this factor may look deceptively insignificant, process types of production systems may incur considerable costs in disposing waste.

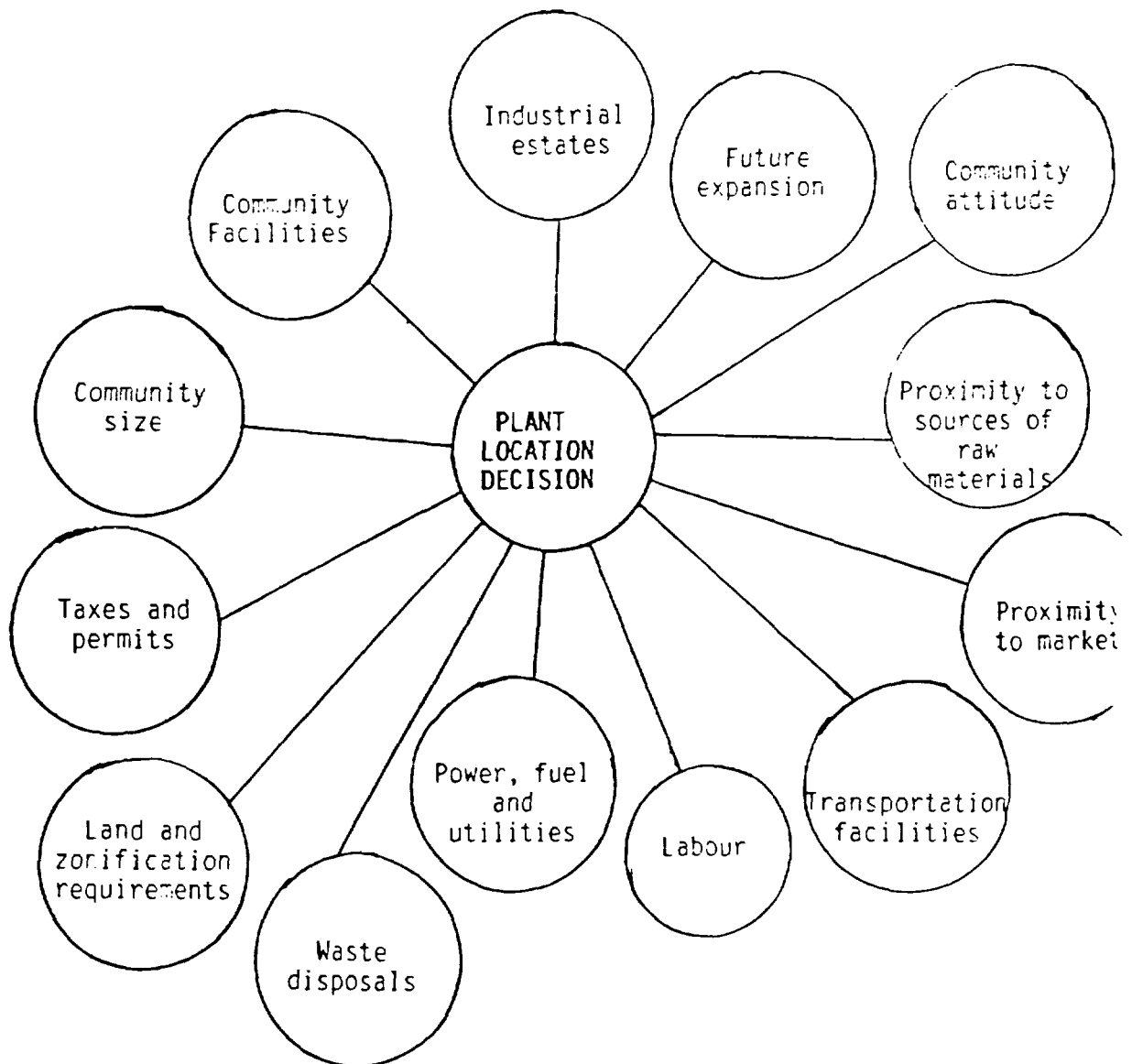
- g. **Land and zoning requirements.** The availability, cost and quality of land as plant site is a major concern in locating your production system. Here, you need to reckon with zonal requirements which have been newly introduced in most developing countries. Plants situated in a once "good" location may find itself in a residential zone after five years. Relocating in this case will be very expensive.
- h. **Taxes and permits.** The types and costs of the taxes, licenses and permits to operate a small manufacturing concern vary from place to place.
- i. **Community size.** The plant should be located within or very close to an appropriate size of a community to minimize additional expenses of providing housing facilities for the workers, transportation services, etc.
- j. **Community facilities.** The facilities available within a certain community must also be considered, including medical facilities (how far is the plant to the nearest first-aid clinic) recreation, religious (mosques, churches, etc.), entertainment, communication and banking facilities.
- k. **Industrial estates.** As a rule, you should favour staying within or close to an industrial estate. The estate is composed of plots of land or constructed factories equipped with necessary services and utilities, where you can come in, hire your workers, set up the machine and start commercial production. If you locate within an industrial estate area from the perspective of plant location, you will hasten the process of installing the plant and enjoy added benefits of "linking" with the other manufacturing plants in the area.
- l. **Future expansion plans.** In deciding plant location, reserve a portion of the area for future expansion activities.

m. **Community attitudes.** Here attitudes refer to the summation of the values, traditions, or pre-dispositions of a certain community with regard to business undertakings.

Sometimes, community attitudes can be dysfunctional to the business: "We don't like to have a coffin manufacturing company here; it's just bad luck for the community." Or attitudes can be reinforcing: "Your project is precisely what the community needs in order to profitably utilize what were once thought of as waste materials."

FLIP CHART NO. 8

PLANT LOCATION AND DECISION FACTORS



D. Session 4. Production Inputs Assessment

Objectives:

At the end of the session, the participants would have made an assessment of the production inputs required in their business.

Time : 3 hours

Facilitator's Guide

1. Refresh the participant's memory on the Production System. Tell them that this session would now discuss in detail the INPUTS side of the Production System.
2. For this session, you need to choose one type of enterprise to illustrate the production inputs to be assessed. By way of example, the tailoring shop will be used. Refer to Session Notes.
3. You will go through each of the production inputs using a particular example throughout for continuity. Refer to the session notes.
4. After you have fully discussed the Production Inputs and are satisfied that the participants have grasped the basic concepts, then give them Hand-Out No. 1 which they have to fill in. This will be a take home assignment.
5. Depending on the need, you may want to monitor the progress of each participant in accomplishing the Production Plan and provide individual assistance as may be needed.
6. Prior to starting the next module, discuss what problems they have encountered in making their production plan.

PRODUCTION INPUTS ASSESSMENT

DISCUSSION PLAN

Example for a Tailoring Shop

1. Machinery and Equipments

In a Tailoring Shop what machinery and equipments are required?

- Sewing machines
- Overlock machine
- Cutting machine if you will produce on a large scale.

But there are different kinds of sewing machines e.g.

- ordinary sewing machine (pedal type)
- ordinary sewing machine with motor
- high speed sewing machine (these are more expensive but are faster)

Which one will you buy for your business? How will you make the choice? What things will you consider in deciding what type of machine you will buy? As much as possible, elicit responses from the participants.

Then recapitulate by discussing the things they should know and consider in selecting their machinery and equipment.

- o Specification of the machinery and equipment required indicating rated capacity.
- o Number of machinery and equipment to be purchased and how much each would cost.
- o Quotations from suppliers, delivery dates, time of payment and other arrangements.
- o Availability of spare parts and repair services.

2. Building and facilities

Go back to the tailoring business. We need to have a place for our shop. Where will we locate it? Will we rent a shop? Will we operate it in a room in our house? Will we erect a building for it? How much will it cost?

3. Raw materials and supplies

If we will produce men's shirts on a large scale, what raw materials and supplies will be required?

It should be a good idea to have a man's shirt on hand or any other example of clothes produced on mass production basis.

Ask them to identify the raw materials and supplies required:

- Textile
- buttons
- Thread
- Needles

We do not stop here. After identifying the raw materials, we have to decide:

- o How much of these raw materials and supplies we need to produce a given number of shirts in a week or a month.
- o Where do we buy them?
- o How much would they cost?
- o Will they always be available?

Give an example: With the machinery and equipment we have decided to purchase, let us say we expect to produce at least 12 pieces of men's shirts a day or 360 pieces a month. Let us now calculate the raw materials and supplies required for a month.

<u>Raw materials</u>		<u>Amount</u>
Textile	1.85m/shirt x 360 pcs x K10	K 6,660
<u>Supplies</u>		
Buttons	8 buttons x 360 pcs x 10t	288
Thread	approx. 2 spools x K10	20
Needles	6 needles x K1	6

	Total	K 6,974
		=====

Remind them that they will have to go through this process in making an assessment of their raw materials and supplies inputs.

4. Labour

What are the manpower requirements of our tailoring shop? Explain to them the concept of **Direct and Indirect Labour**.

Direct Labour

Labour which is involved in directly producing the goods. Example: Tailor.

Indirect Labour

Labour hired in production but not involved in directly pricing the goods. Example: Supervisor.

After identifying our labour requirements, we should now decide on how much we will pay them. Explain that they could pay on a **Piece Rate basis** or on a **monthly basis**.

Decision on how much to pay may be based on the present practice in the community and of similar businesses and the skills of the individual.

Where will you recruit your labour? Do they have enough training?

5. Utilities and other overhead expenses

We shall of course be using electricity and water in our tailoring shop. There are, however, expenses which are incurred but would not be directly related to the product. These are what we call the **Overhead expenses**.

Examples of these overhead expenses are:

- Gas and oil
- Transportation cost of raw materials
- Rent
- Electricity
- Water
- Packaging materials
- Depreciation

They will be taught how to calculate depreciation expense in the next session.

6. Plant Size and Production Schedule

The plant size and production schedule is determined by the type of machinery and equipment purchased and manpower hired.

In the tailoring shop for example we determine our production capacity as follows:

- We have 3 sewing machines
 - We have 3 tailors, 1 helper
 - We have 1 cutter
 - We operate 5 days a week or 20 days a month.
- o We expect that the cutter would be able to cut at least 12 shirts a day using an already prepared pattern.
 - o Our production capacity is therefore:
 $3 \text{ tailors} \times 4 \text{ shirts} \times 20 \text{ days} = 360 \text{ shirts/months.}$

7. Plant Location

Explain to them that the plant location is one production input. This has been dealt in detail in the previous sessions.

8. Production Process and Plant layout

Illustrate by presenting the polo shirt. Ask the participants the production process.

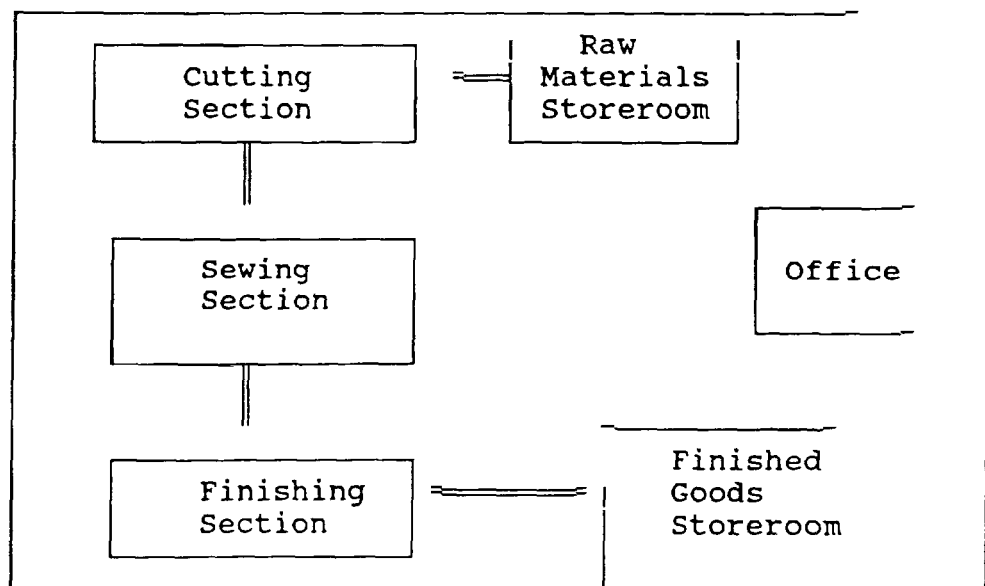
- o first purchase raw materials and supplies
- o textile is then sorted out and cut
- o the cut materials are distributed to the tailors
- o they sew the shirts
- o sewn shirts are given to the helper to sew the buttons, the ironing, then packing.

Plant layout

In making the plant layout of the business, the layout should allow a steady flow of the process. The entrepreneur should consider that "Every square centimeter generates profit" for the company.

To illustrate a plant lay-out, show Flip Chart. No. 9.

FLIP CHART NO. 9



E. Session 5 Costing and Pricing

Objective

At the end of the session, the participants should be able to cost their various products and be able to set realistic prices for their products.

Time : 12 hours

Facilitator's Guide:

1. Ask the participants what they understand by COSTING and why it is important.

Give them an example of a dress. Ask them to list on a flip chart the various costs involved in making a dress. Ask them how they would charge the various costs to the dress. Do not correct them, let them try and correct each other. This should give you an idea as to what extent the apportionment of overheads is a problem to them.

2. Tell them that you are now going to learn it together.

Start by looking at the list of costs and classify them into direct and indirect. Define the terms. Take them step by step in determining the costs as indicated in the notes.

For the Assignment of Indirect Costs, take it as a separate exercise and ensure that they understand how to assign costs before you move on. Use your notes.

3. Introduce them to the two ways of assigning costs. Discuss one method at a time in terms of how it is done, and the circumstances in which it can be used. Give them exercises to proactive each method.

4. Introduce them to the concept of charging depreciation. Introduce them to one method - straight line and get them to practice how to calculate depreciation in a given period. This cost goes into the overhead cost, ready for apportionment/assignment.
5. Introduce the concept of pre-production costing in terms of why and how.
6. Ask the participants how they would decide on the price of the product given the cost of the product.

Introduce them to the two basic factors which often influence the price. Apart from covering the cost, prices have to cover profit. Discuss what would be considered reasonable profit. There are no hard and fast rules.

Where the market price is fixed emphasize the fact that a business can make more profit by reducing its costs.

1. COSTING

A. What is it?

Costing is the method of calculating all costs which are incurred in producing a product or service.

B. Why is it important?

- o In order to determine the selling price of an item.
- o To ensure that all costs are charged to the products.
- o To determine whether price reduction is a possibility in sales promotion.

C. When do we do costing

We do out costing during the Pre-production Phase and after actual production.

o Pre-Production

In this case, costing is done before production has taken place. This means that all figures in this exercise are going to be estimates. Estimates are based on:

- Experience (what has been happening in the past)
- Plans (any expected changes)
- What has been happening to others.

It is important to do pre-production costing because of the following reasons:-

- To determine the price for quotations.
- To determine whether at the profitable price it will be marketable.
- Because production and sales are made on a daily basis while indirect costs are paid periodically.

o Post Production

In this case, costing is once again done after the products are produced. You are then able to compare your estimates with the actual expenses which have been incurred and would give the entrepreneur an indication if the price set is within acceptable limits.

D. How it is done

The TOTAL COST of a manufactured product is the sum of its component costs. The components are:

1. Labour - The cost of direct labour actually used to make the product or provide service.
2. Materials - The total value of the amount of all raw materials stocks used to produce the product or perform the service.
3. Overhead - The indirect cost of manufacturing such as utilities, rent, depreciation, salaries of supervisors, wages of labour not directly related to producing the product, etc.

Direct and Indirect Costs

Another way of classifying costs is as follows:

Direct Costs

These are costs which can be assigned to a specific product or service. They are direct costs because they can be directed to a specific product or service. These costs vary with output.

Indirect Costs

These are costs involved in the process of the manufacturing or providing service that cannot be assigned directly to a particular project or product. These include overheads and some labour costs. They do not vary with output.

Total Cost = Direct Costs + Indirect Costs

D. Steps in Determining Costs

o Direct Costs

- Estimate all the materials used in the product or service.
- Calculate the cost of these materials
- Assign this cost to the product as direct cost.
(Other direct costs can also be assigned directly to the product)

o Indirect costs

There are two ways of assigning indirect costs based on:

- Level of production
- Labour hours involved in completing the product or service.

Since indirect costs are mostly fixed; i.e. they do not change with changes in level of production. The indirect cost per unit of production will decrease, as production increases.

A business that manufactures one type and size of product or a business which provides one service can use either method.

A business that produces many things or provides a number of services should use the indirect cost per hour method. (See notes on Assignment of Costs).

ASSIGNMENT OF COSTS

Indirect Costs

These are the costs which cannot be associated with a particular unit of production. It is therefore necessary to assign these costs to every unit of production.

Implications of indirect costs

1. The more you produce within a given period the lower is the cost per unit.
2. The more hours you spend working within a given period the lower is the cost per hour.

In assigning costs you could assign costs to every:

- Labour hour of production or
- Unit of production

Labour hours

Formula for labour hours:

Labor Hours = no. of laborers x no. of hours
worked/worker

The following are the steps to be followed:

1. Estimate the number of hours each worker is likely to spend doing work per day and then per month.
2. Multiply number of workers by the hours each is likely to work per month. What you find is labour hours per month.
3. Estimate how much you are likely to spend in terms of indirect costs per month.

4. Divide the estimated cost by Total Labour Hours to find cost per Labour Hour.

$$\frac{\text{TOTAL INDIRECT COSTS}}{\text{TOTAL LABOUR HOURS}} = \text{LABOUR HOUR COST}$$

5. Every time you are producing an item estimate or count how many Labour hours it is going to take you (has taken you) to produce.
6. Multiply the cost per labour hour by the number of labour hours found in 5.

$$\text{COST PER HOUR X NO. OF LABOUR HOURS} = \text{COST}$$

This is the indirect cost involved in producing that item.

7. The indirect cost should be added to the direct cost to find the total cost of the product.

Units of Production

This method is applicable where units of production are equal. The following are the steps to be followed:

1. Estimate total production per day and then per month.
2. Estimate the total of all indirect costs per month.
3. Divide the total of indirect costs by total production per month.

$$\frac{\text{Total costs}}{\text{-----}} = \text{Cost per unit}$$

Total units

4. Every time you have produced one unit, you should add to the total direct cost the indirect cost per unit to find the Total cost per unit.

DEPRECIATION

Introduction:

When we use machinery, equipment, building, etc. their value goes down because of wear and tear. As such, we have to recognize this as an expense even if we do not put out any cash. This also tells us that we have to save some money which could be the amount of the depreciation expense so that when the asset gets very old, we would have the money to buy a new one. Depreciation is the decrease in value of fixed assets over a certain period. Depreciation should form part of indirect costs.

Explain how depreciation expense is calculated. Do this together with the participants.

A. Why charge depreciation

- Because assets lose value due to use, obsolescence and extraction.
- Because the fixed asset is used to generate profit.
- To set aside money for replacement of the fixed asset.

B. Methods

Straight line: Charging to profits a fixed amount of the value of the machine each year.

We arrive at this amount by:

- o Estimating period of use.
- o Find cost of the machine.
- o Estimate the cost of the machine after useful life. This is called the residual value.
- o Then divide the cost less the residual value by period of use.

Example:

Mrs. Chirwa has purchased a new machine for her soap manufacturing enterprise. The cost is K12,000 the estimated useful life of the machine is 10 years. Estimated residual value is K 2,000.

Required

Calculate depreciation on the machine to be charged to the profit each year.

Answer

- a. Cost of Machine = MK 12,000
b. Estimated Useful Life = 10 years
c. Residual Value = MK 2,000
c. Depreciation Per Year = Mk 1,000

$$\frac{\text{Mk } 12,000 - 2,000}{10 \text{ years}}$$

- d. Depreciation Per month = Mk 83.33

$$\frac{\text{Mk } 1,000}{12 \text{ mos.}}$$

Assignment of Costs Exercise

Mrs. Chintengo runs a knitting shop and produces two products; ladies sweaters and baby's wear. It takes 2 hours to weave a lady's sweater and 2.5 hours to weave a set of baby's wear. She has 3 men who run the weaving machines and work for 8 hours daily for 20 days in a month. Over the month, she has the following expenses: telephone K60, wages K120 and she pays herself K300 as salary for managing the business.

Required:

- Calculate
- a) Total indirect costs per month
 - b) Total Labour hours per month
 - c) Labour hour cost
 - d) Cost to be assigned to each unit produced.

Answer

- a) TOTAL INDIRECT COST:

Her salary	300
Wages	120
Telephone	60

	K480
	=====

- b) LABOUR HOURS :

$8 \times 3 = 24$ hours/day
Therefore for the month = 24×20
= 480 labor hrs

- c) LABOUR HOUR COST : 480
- | | |
|-----|----|
| --- | K1 |
| 480 | |

- d) COST TO BE ASSIGNED:

- 1) Lady's sweater = $K1 \times 2$
= K2.00
- 2) Baby's wear = $K1 \times 2.5$
= K2.50

2. PRICING

There are two main factors that influence the prices at which one can sell his products.

1. The cost at which you produce the product.
2. The existing market price

The others are like quality, quantity, style, etc.

A. Cost of the Product

In order to make a profit, it is necessary to sell the product at a price above the cost of the products. How much you can add on top of the cost will depend on:

- o The nature, size and type of the product

e.g. if the product you are selling is a scone you can only add maybe 15t to the total cost as profit. In the case of a dress you may add K5 as profit.

- o Existing market prices

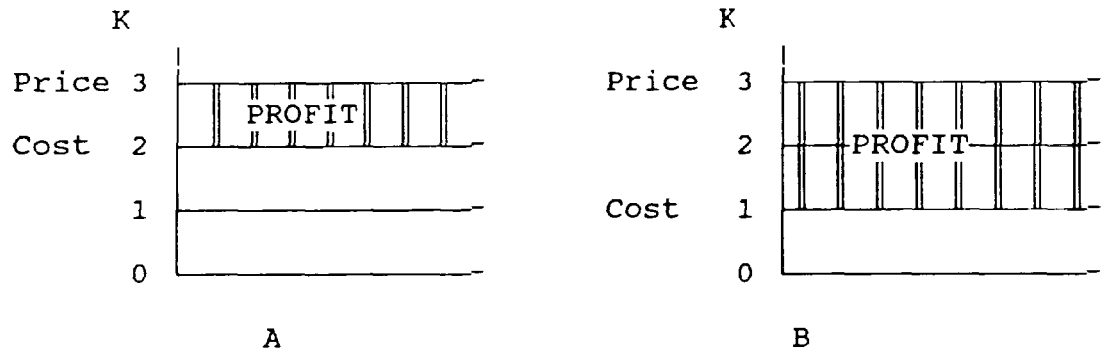
If other people are selling dresses at K15 (K10 cost + K5 profit) you cannot add K5 profit to your dress if your cost is more than K10 because your dress will be expensive and may not sell.

In general, you should be able to sell the product at more than the cost otherwise it is not worth producing such a type of product.

In order for you to make a profit more than others in the same market, you should be able to produce your products at the lowest cost possible. This is based on the fact that as a producer you have control over the cost of the product but not on the market price.

To illustrate this point, take a look at the following graph:

FLIP CHART NO. 10



In diagram A, cost is MK 2 and selling price is Mk 3. Profit therefore is only Mk 1. In diagram B, profit will be Mk 2 since production cost has been reduced to Mk 1 and selling price remains Mk 3.

EXERCISES: COSTING AND PRICING

EXERCISE NO. 1

Amai Company runs a tailoring shop and had the following expenses for the month of June:

Electricity	K40
Salaries and wages	K420

From experience it requires 2 metres of cloth and a roll of thread to produce one dress. The cost of the cloth is Mk 5.00 per metre and a roll of thread is Mk 1.50.

The business has sewing machines which have a total value of K5000 and are expected to last 8 years and will have a residual value of K200.

The business has a policy to add K5 to each product produced as mark up.

Required:

- a) Calculate the depreciation per month
- b) Assuming 30 dresses were produced in June and are to be sold in July, calculate the cost of each dress and the unit price.
- c) Assuming 50 dresses were produced in June and are to be sold in July, calculate the unit cost and unit price.

(HINT: Include depreciation in your costing)

ANSWER:

a) Depreciable amount : 500 - 200 = K4800
Depreciation/year : 4800

 8 = K600
Depreciation/month : 600

 12 = K50

b) Direct costs

Cloth : Cost for each dress K2 x 5 = K10.00
Thread : 1.50

Total direct cost per dress K11.50
 =====

Indirect Costs

K

Electricity 40
Salaries & wages 420
Depreciation 50

 510
 =====

Cost to be assigned to 1 dress:

510
----- = K 17.00
30

Total Unit Cost = K11.50 + K17.00 = K28.50

Unit Price = K28.50 + K5.00 = K33.50

EXERCISE NO. 2

Miss Mposa has a knitting business with 3 knitting machines. The three men operating the machines get a monthly salary of 200 each.

Every month, the business produces:

149 pcs. of 2-colour sweaters
10 pcs. baby shawls.

For one 2-colour sweater, 2 cones of wool are needed. Wool costs K 22.00/cone. A knitter takes 3 hours to finish one sweater.

Wool used for a baby shawl costs Mk 19.00/cone and one cone is used per baby shawl. It takes one full day to finish one shawl.

The workers work 8 hours a day for 22 days per month.

Miss Mposa has the following indirect costs in her business:-

	<u>K</u>
Rent	400.00
Salary	300.00
Electricity	50.00
Transport	200.00
Interest	184.00
Accessories	200.00
Depreciation	250.00

Total indirect costs	1,584.00
	=====

Required:

Find out the total cost per unit of each product.

ANSWER

A. No. of Labour Hours:

$$22 \text{ days} \times 8 \text{ hours} \times 3 \text{ persons} = 528 \text{ hours}$$

B. Indirect Cost

$$\frac{600 + 1,584}{528 \text{ hrs.}} = \text{K } 4.14/\text{manhours}$$

C. Total Cost

o Sweater

Direct Cost	K 22 x 2 cones	=	44.00
Indirect Cost	K 4.14 x 3 hours	=	12.42

Total Cost			K 56.42
			=====

o Shawl

Direct Cost	K 19.00	=	K 19.00
Indirect Cost	K 4.14 x 8 hrs.	=	33.12

Total Cost			K 52.12
			=====

F. Session 6. Quality Control

Objective

At the end the session, the participants would be able to explain the importance and procedures for quality control assurance in production.

Time : 1 1/2 hours

Facilitator's Guide

1. To introduce this session, have two similar products produced by two different companies. Ask the participants to assess and critique the quality of each product.
2. Write their answers on the board. Take note that their answers may have taken the view as a consumer/buyer and as a producer.

Point out to the participants that when they intend to produce a product, they will be meeting a lot of competitors producing exactly the same kind of products they have. The point here is not to get discouraged, but this should serve as a challenge to them to produce quality and efficient product or service.

Substantial indications show that "quality" MUST always be viewed from the customer's view point since the definition of quality emanate from the customer which is then refined or interpreted by the manufacturers.

3. Point out to them that when they were assessing the quality of the products, they were actually defining "Quality". Refer to Session Notes for discussion on "How Quality Definitions Emerge"
4. Introduce the Concept and Procedures of Quality Control. Refer to Session Notes.

A. How Quality Definitions Emerge

The definition of quality evolves around the physical properties of the product that conform or match with the requirements of the customers.

In reviewing the quality of the product, the producer should consider two major characteristics:

- o Variable
- o Attribute

Variable characteristics refer to the physical characteristics i.e. size, length, width, thickness.

Example: Size of a shirt,
Size of a bottled juice

Attribute characteristic refer to those which can not be directly measured physically i.e. beauty, style, smoothness appeal, etc.

Quality perception also includes what is known as:

- o Quality of design
- o Quality of conformance

Quality of design is concerned with the implications of deciding which design of the product maximize the specific customers' satisfaction.

Quality of conformance is the continuing process of measuring, testing and adjusting to ensure the maintenance of the level of quality stipulated in the design stage.

At this point try to give an example so the participants would be able to grasp the idea.

Example

Customers would want to buy a good quality blanket, double bed the size of which is 78" x 78" with fringes on all the sides.

The entrepreneur would then produce such type of blankets. This would be the quality design.

During the production stage, the owner or the supervisor would then do quality conformance where spot checks are done to ensure that the blanket size is indeed 78" x 78" not 76" x 74".

3. **What is Quality Control?**

1. **Definition**

FLIP CHART NO.11

QUALITY CONTROL

It is a means of identifying and connecting various causes of effects and variations from the set standards or specifications of a product.

2. **Objectives of Quality Control**

The objectives of every quality control initiative must be both

- o REMEDIAL and
- o PREVENTIVE

REMEDIAL OBJECTIVE - this involves sorting out the defectives at the final stage of production so that only acceptable "good" products will reach the end users.

PREVENTIVE OBJECTIVE - this is concerned with determining at various points or stages of production the reason why defectives occur in order to keep them at a minimum at the final stage of production.

3. Different Quality Control Approaches

Various entrepreneurs employ different approaches:

- a. The Owner- Manager who is skilled also acts as the "final inspector" or she may employ a supervisor with a long experience in a given trade who is considered the "final inspector". Whatever the final inspector claims to be of good quality is accepted by the customer.
- b. Some owner managers charge fines from workers who generate defective products.
- c. Some firms provided incentive package for group of workers having zero or very minimal rate of defects within a defined production period.

4. Procedures for Assuring Quality Control
(Present Flip Chart No. 12)

- a. The first step involves **Decision on the Standard** to be adopted. This decision is the first important consideration in ascertaining the control of expenses related to quality. Nowadays may be set with the entrepreneurs and end-users discussing the standard and compromising.

If the entrepreneur gives in too much to the wishes of the end-users, the final product may turn out to be too expensive and take a longer time to produce.

If on the other hand, the end user will give in too much to the changes suggested by the entrepreneurs, the product may turnout to be inappropriate to her needs.

- b. **Determining the level of acceptability or tolerance** is the second step. Here, the entrepreneur is concerned about the permissible variations in the basic criterion agreed upon in the first step. It should be noted that the tolerance limits should be broad enough to accommodate "chance variations" or those variations caused by factors inherit in the production processes. Example would be the blanket size 78" x 78". If the product produced is 1 cm less than specified, then the product may be acceptable.
- c. The next step is determining the manufacturing sequence. Actually, this procedure is also needed in the production planning phase where processes, machinery/equipment, operators, workers, etc. to be employed to produce the product are identified.
- d. From the manufacturing sequence, the entrepreneur may be able to identify, with the aid of the customer, those critical points where strict quality adherence should be maintained. These points will be considered as checking points where inspection will be made to ensure conformance with standards.
- e. The next step involves the listing of procedures which must be followed by the workers or inspectors in ascertaining conformance to the quality level established at the first step.

- f. Finally, inspection system must be activated. Here, the entrepreneur should ask questions like:
- "Who is responsible for ensuring the quality of raw materials used"?
 - "Who is responsible for checking the first, second and third critical points in the process?"
 - "Who will check the final products," etc.

There are many ways by which inspection may be carried out normally: first product inspection, random sampling, inspection by batch and inspection of all the products. Once these and similar questions have been answered satisfactorily, the system can be implemented, with proper corrections and adjustments where or when necessary.

FLIP CHART NO. 12

PROCEDURES FOR ASSURING QUALITY CONTROL

Decide on the standards to be used in a given product.

Determine zone of acceptability or tolerance in every critical part.

Determine the manufacturing sequence of the product.

Establish points where checking of materials, component parts and products are needed in the entire process.

Develop checklists and identify checking tools at every point in the process whenever needed.

Set up the Quality Control organizational system.

Implement and correct whenever necessary.

G. Session 7. Production Aspect of the Business Plan

Objective:

At the end of this session, the participants would have been clarified on the steps they have to follow in preparing the Production/Technical Aspect of their Business Plan.

Time : 1 hour

Facilitator's Guide

1. Provide the participants Hand-out No. 7. This is a guide question for the participants in preparing the Production/Technical Aspect of their Business Plan.
2. Go through the Production/Technical Plan Guide item by item. Explain. Encourage them to ask questions in case the questions may not be clear to them.
3. Explain that they would have to answer the questions. This is a take home assignment which they should be able to bring back the following week (depending on the next meeting). This should give them enough time to gather additional data required.
4. It may be required that the participants would need to do some research in order to be able to fill in the guide questions.
5. After preparing their Production Plan, the participants will be asked to present their Plans individually to the facilitators who will then provide assistance in improving the business plan.

Name: _____

Proposed Business: _____

PRODUCTION AND TECHNICAL PLAN

A. **Product**

1. What is your product or service?

2. Describe your product.

B. **Production Process**

1. What are the steps involved in producing your product/service?

2. How much experience do you have in producing this product or doing this service?

3. If you do not have or lack the experience/skills how do you expect to acquire the skills?

4. What quality control measures are you going to adapt?

C. Plant Capacity and Production Schedule

1. Based on your projected sales (refer to your Marketing Plan) how many/how much do you expect to produce (Per week/month/cycle)?

<u>Product</u>	<u>Units</u>
_____	_____
_____	_____
_____	_____
_____	_____

2. How much or how many units do you expect to produce on the first year?

<u>Month</u>	<u>Units</u>	<u>Amount</u>
One	_____	_____
Two	_____	_____
Three	_____	_____
Four	_____	_____
Five	_____	_____
Six	_____	_____
Seven	_____	_____
Eight	_____	_____
Nine	_____	_____
Ten	_____	_____
Eleven	_____	_____
Twelve	_____	_____

D. Labor Required

1. What are your labor requirements? Direct and Indirect?
2. How much will you pay them?
3. Will you pay them on a piece rate or monthly basis?

LABOUR COST
(Per Week/Month/Cycle)

Type	:	No.	:	Wage	:	Amount
Direct Labor:	:		:		:	
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
Indirect Labor:	:		:		:	
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
Total Labor Cost					K	=====

4. Where will you recruit them?

5. What will they be doing?

E. Raw Materials and Supplies Cost

1. What are the materials you need to make your products or produce your services? In what quantities? How much will you buy the raw materials?

MATERIALS COST
(Per week, month, cycle)

Type of Material	:	Quantity:	:	Cost Per Unit:	:	Amount
<u>Direct Materials</u>						
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
Total Direct Materials						K =====

<u>Indirect Materials</u>						
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
_____	:	_____	:	_____	:	_____
Total Indirect Materials						K =====

2. Where will you buy the materials? _____

3. What are your alternative sources of materials?

4. How will you pay? cash _____ credit _____

5. Are the materials always available? _____

6. If the raw materials are not always available, do you have any substitute raw materials? What are they? _____

F. Plant location

1. Where will your business be located?

2. Why did you choose this location?

3. Are there any difficulties you foresee in transporting your finished products to your target buyers? If yes, what are these difficulties?

4. Are there any difficulties you foresee in transporting your raw materials? If yes, what are these difficulties?

G. Machinery and Equipment

1. What type of machinery and equipment would you need? Give the specifications and capacity. (You can get this information from the price quotation of the dealer)
2. How much would they cost?
3. How many years would you expect to be using the machinery and equipment?

MACHINERY AND EQUIPMENT

TYPE	: USEFUL:	NO. :	AMOUNT
	: LIFE :	:	
-----	:	:	:
_____	:	:	:
_____	:	:	:
_____	:	:	:
_____	:	:	:
Total Machinery and Equipment		K	=====

4. If you will be purchasing the machinery and equipment, Where will you buy them? Provide quotations from the suppliers and machinery guarantee, delivery dates, terms.
5. Are spare parts and repair services available?
